UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

or

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

For the transition period from______to ______

Commission File Number 001-34400

INGERSOLL-RAND PLC

(Exact name of registrant as specified in its charter)

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

170/175 Lakeview Dr.

Airside Business Park

Swords, Co. Dublin

Ireland

(Address of principal executive offices)

+(353) (0) 18707400

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

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

The number of ordinary shares outstanding of Ingersoll-Rand plc as of July 30, 2010 was 322,818,986.

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INGERSOLL-RAND PLC

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INGERSOLL-RAND PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited)

In millions, except per share amounts	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Net revenues	$ 3,703.4	$ 3,451.7	$ 6,639.0	$ 6,369.6
Cost of goods sold	(2,655.8)	(2,515.5)	(4,811.5)	(4,702.7)
Selling and administrative expenses	(664.6)	(677.1)	(1,306.5)	(1,348.4)
Operating income	383.0	259.1	521.0	318.5
Interest expense	(71.1)	(81.8)	(142.1)	(149.1)
Other, net	11.2	2.8	19.9	15.9
Earnings (loss) before income taxes	323.1	180.1	398.8	185.3
Benefit (provision) for income taxes	(60.9)	(34.4)	(115.7)	(46.8)
Earnings (loss) from continuing operations	262.2	145.7	283.1	138.5
Discontinued operations, net of tax	(60.3)	(18.1)	(75.1)	(32.8)
Net earnings (loss)	201.9	127.6	208.0	105.7
Less: Net earnings attributable to noncontrolling interests	(5.5)	(5.5)	(10.1)	(10.4)
Net earnings (loss) attributable to Ingersoll-Rand plc	$ 196.4	$ 122.1	$ 197.9	$ 95.3
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	$ 256.7	$ 140.1	$ 273.0	$ 128.1
Discontinued operations	(60.3)	(18.0)	(75.1)	(32.8)
Net earnings (loss)	$ 196.4	$ 122.1	$ 197.9	$ 95.3
Earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:				
Basic:				
Continuing operations	$ 0.79	$ 0.44	$ 0.84	$ 0.40
Discontinued operations	(0.18)	(0.06)	(0.23)	(0.10)
Net earnings (loss)	$ 0.61	$ 0.38	$ 0.61	$ 0.30
Diluted:				
Continuing operations	$ 0.76	$ 0.43	$ 0.81	$ 0.39
Discontinued operations	(0.18)	(0.05)	(0.22)	(0.10)
Net earnings (loss)	$ 0.58	$ 0.38	$ 0.59	$ 0.29

Weighted-average shares outstanding				
Basic	323.8	320.8	323.2	320.6
Diluted	339.1	325.0	337.8	323.4
Dividends declared per ordinary share	$ 0.07	$	$ 0.14	$ 0.36

See accompanying notes to condensed consolidated financial statements.

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INGERSOLL-RAND PLC

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

In millions	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 821.6	$ 876.7
Accounts and notes receivable, net	2,821.5	2,094.2
Inventories	1,429.5	1,183.6
Other current assets	678.0	635.7
Assets held for sale	31.1	73.3
Total current assets	5,781.7	4,863.5
Property, plant and equipment, net	1,783.9	1,894.9
Goodwill	6,446.7	6,606.0
Intangible assets, net	4,925.6	5,042.8
Other noncurrent assets	1,419.4	1,583.8
Total assets	$ 20,357.3	$ 19,991.0
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,421.9	$ 1,065.3
Accrued compensation and benefits	482.1	489.7
Accrued expenses and other current liabilities	1,969.2	1,521.4
Short-term borrowings and current maturities of long-term debt	975.2	1,191.7
Liabilities held for sale	29.1	29.5
Total current liabilities	4,877.5	4,297.6
Long-term debt	2,909.9	2,904.9
Post employment and other benefit liabilities	1,923.6	1,954.2
Deferred and noncurrent income taxes	1,809.4	1,930.3
Other noncurrent liabilities	1,657.3	1,698.3
Total liabilities	13,177.7	12,785.3
Temporary equity	23.4	30.0
Shareholders equity:		
Ingersoll-Rand plc shareholders equity:		
Ordinary shares	322.6	320.6
Capital in excess of par value	2,423.8	2,347.6
Retained earnings	4,990.7	4,837.9
Accumulated other comprehensive income (loss)	(685.7)	(434.3)
Total Ingersoll-Rand plc shareholders equity	7,051.4	7,071.8
Noncontrolling interests	104.8	103.9
Total shareholders equity	7,156.2	7,175.7
Total liabilities and shareholders equity	$ 20,357.3	$ 19,991.0

See accompanying notes to condensed consolidated financial statements.

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INGERSOLL-RAND PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

In millions	Six months ended June 30, 2010	2009
Cash flows from operating activities:		
Net earnings (loss)	$ 208.0	$ 105.7
(Income) loss from discontinued operations, net of tax	75.1	32.8
Adjustments to arrive at net cash provided by (used in) operating activities:		
Depreciation and amortization	222.4	203.2
Stock settled share-based compensation	34.5	36.6
Changes in other assets and liabilities, net	(260.8)	491.2
Other, net	15.7	50.1
Net cash provided by (used in) continuing operating activities	294.9	919.6
Net cash provided by (used in) discontinued operating activities	(36.1)	(40.2)
Cash flows from investing activities:		
Capital expenditures	(72.3)	(113.7)
Proceeds from sale of property, plant and equipment	5.3	14.9
Acquisitions, net of cash acquired	(5.5)	
Other, net		(0.2)
Net cash provided by (used in) continuing investing activities	(72.5)	(99.0)
Net cash provided by (used in) discontinued investing activities	(0.3)	(0.1)
Cash flows from financing activities:		
Proceeds from bridge loan		196.0
Payments of bridge loan		(950.0)
Commercial paper program (net)		(424.4)
Other short-term borrowings (net)	14.1	7.6
Proceeds from long-term debt	38.8	1,000.0
Payments of long-term debt	(271.5)	(203.7)
Net change in debt	(218.6)	(374.5)
Settlement of cross currency swap		(26.9)
Debt issuance costs	(5.5)	(16.0)
Dividends paid to common shareholders	(45.0)	(114.9)
Dividends paid on noncontrolling interest	(8.4)	(9.1)
Acquisition of noncontrolling interest		(1.5)
Proceeds from exercise of stock options	37.1	1.1
Net cash provided by (used in) continuing financing activities	(240.4)	(541.8)
Net cash provided by (used in) discontinued financing activities		
Effect of exchange rate changes on cash and cash equivalents	(0.7)	4.2
Net increase (decrease) in cash and cash equivalents	(55.1)	242.7
Cash and cash equivalents - beginning of period	876.7	550.2

Cash and cash equivalents - end of period	$ 821.6	$ 792.9

See accompanying notes to condensed consolidated financial statements.

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 Description of Company

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

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

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

Note 2 Basis of Presentation

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

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

On July 16, 2010, the Company announced the intention to divest its European refrigerated display case business (Stationary Refrigeration), which is sold under the KOXKA brand. The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through company-owned sales branches and a network of distributors throughout Europe, Africa and the Middle East. KOXKA has two manufacturing facilities in Spain and currently employs 445 people. As a result of the planned sale, the Company has reported this business as a discontinued operation in this Form 10-Q and has classified the assets and liabilities as held for sale for all periods presented in accordance with GAAP.

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

Note 3 Inventories

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

The major classes of inventory are as follows:

In millions	June 30, 2010	December 31, 2009
Raw materials	$ 402.7	$ 351.3
Work-in-process	288.6	218.7
Finished goods	820.6	696.5
Sub-total	1,511.9	1,266.5
LIFO reserve	(82.4)	(82.9)
Total	$ 1,429.5	$ 1,183.6

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Note 4 Goodwill

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

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Total
December 31, 2009	$ 4,978.3	$ 682.3	$ 372.9	$ 572.5	$ 6,606.0
Acquisitions and adjustments	3.1		0.5		3.6
Translation	(123.4)		(9.4)	(30.1)	(162.9)
June 30, 2010	$ 4,858.0	$ 682.3	$ 364.0	$ 542.4	$ 6,446.7

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

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

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

Note 5 Intangible Assets

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

In millions	June 30, 2010	December 31, 2009
Completed technologies/patents	$ 199.6	$ 204.0
Customer relationships	2,328.4	2,358.4
Trademarks	95.6	111.2
Other	184.5	188.1
Total gross finite-lived intangible assets	2,808.1	2,861.7
Accumulated amortization	(596.6)	(533.0)
Total net finite-lived intangible assets	2,211.5	2,328.7
Trademarks (indefinite-lived)	2,714.1	2,714.1
Total	$ 4,925.6	$ 5,042.8

Intangible asset amortization expense was $38.3 million and $38.8 million for the three months ended June 30, 2010 and 2009, respectively. For the six months ended June 30, 2010 and 2009, intangible assets amortization expense was $77.2 million and $77.0 million, respectively. Estimated amortization expense on existing intangible assets is approximately $160 million for each of the next five fiscal years.

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Note 6 Accounts Receivable Purchase Agreements

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

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

For the six months ended June 30, 2009, the Company recorded a cash inflow of $161.5 million within cash flows from operating activities, which represented the increase in the net interests in the receivables sold to the conduits.

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

Note 7 Debt and Credit Facilities

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

In millions	**June 30, 2010**	**December 31, 2009**
Debentures with put feature	$ 343.6	$ 343.6
Exchangeable senior notes	321.7	315.0
Current maturities of long-term debt	287.9	526.5
Other short-term borrowings	22.0	6.6
Total	$ 975.2	$ 1,191.7

Commercial Paper Program

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

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Debentures with Put Feature

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

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

Exchangeable Senior Notes Due 2012

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

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

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

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

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

In millions	June 30, 2010	December 31, 2009
6.000% Senior notes due 2013	$ 599.8	$ 599.8
9.50% Senior notes due 2014	655.0	655.0
5.50% Senior notes due 2015	199.7	199.7
4.75% Senior notes due 2015	299.4	299.3
6.875% Senior notes due 2018	749.1	749.1
9.00% Debentures due 2021	125.0	125.0
7.20% Debentures due 2011-2025	105.0	112.5
6.48% Debentures due 2025	149.7	149.7
Other loans and notes	27.2	14.8
Total	$ 2,909.9	$ 2,904.9

The fair value of the Company s debt was $4,400.8 million and $4,459.6 million at June 30, 2010 and December 31, 2009, respectively. The fair value of debt was primarily based upon quoted market values.

Senior Notes Due 2014

In April 2009, the Company issued $655 million of 9.5% Senior Notes through its wholly-owned subsidiary, IR-Global. The notes are fully and unconditionally guaranteed by each of IR-Ireland, IR-Limited and IR-International, another wholly-owned indirect subsidiary of IR-Limited. Interest on the fixed rate notes will be paid twice a year in arrears. The Company has the option to redeem them in whole or in part at any time, and from time to time, prior to their stated maturity date at redemption prices set forth in the indenture agreement. The notes are subject to certain customary covenants, however, none of these covenants are considered restrictive to the Company s operations.

Credit Facilities

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

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

Note 8 Financial Instruments

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

On the date a derivative contract is entered into, the Company designates the derivative instrument either as a cash flow hedge of a forecasted transaction, a cash flow hedge of a recognized asset or liability, or

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as an undesignated derivative. The Company formally documents its hedge relationships, including identification of the derivative instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivative instruments that are designated as hedges to specific assets, liabilities or forecasted transactions.

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

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

Currency and Commodity Derivative Instruments

The notional amounts of the Company s currency derivatives were $1,038.9 million and $884.8 million at June 30, 2010 and December 31, 2009, respectively. At June 30, 2010 and December 31, 2009, a deferred gain of $1.7 million and deferred loss of $1.5 million, net of tax, respectively, was included in Accumulated other comprehensive income (AOCI) related to the fair value of the Company s currency derivatives designated as accounting hedges. The amount expected to be reclassified into earnings over the next twelve months is $1.7 million. The actual amounts that will be reclassified into earnings may vary from this amount as a result of changes in market conditions. Gains and losses associated with the Company s currency derivatives not designated as hedges are recorded in earnings as changes in fair value occur. At June 30, 2010, the maximum term of the Company s currency derivatives was 12 months.

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

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

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Other Derivative Instruments

During the third quarter of 2008, the Company entered into interest rate locks for the forecasted issuance of approximately $1.4 billion of Senior Notes due in 2013 and 2018. These interest rate locks met the criteria to be accounted for as cash flow hedges of a forecasted transaction. Consequently, the changes in fair value of the interest rate locks were deferred in AOCI. No further gain or loss will be deferred in AOCI related to these interest rate locks as the contracts were effectively terminated upon issuance of the underlying debt. However, the amount of AOCI associated with these interest rate locks at the time of termination will be recognized into interest expense over the term of the notes. At June 30, 2010 and December 31, 2009, $11.7 million and $12.6 million, respectively, of deferred losses remained in AOCI related to these interest rate locks. The amount expected to be reclassified into interest expense over the next twelve months is $1.8 million.

In March 2005, the Company entered into interest rate locks for the forecasted issuance of $300 million of Senior Notes due 2015. These interest rate locks met the criteria to be accounted for as cash flow hedges of a forecasted transaction. Consequently, the changes in fair value of the interest rate locks were deferred in AOCI. No further gain or loss will be deferred in AOCI related to these interest rate locks as the contracts were effectively terminated upon issuance of the underlying debt. However, the amount of AOCI associated with these interest rate locks at the time of termination will be recognized into interest expense over the term of the notes. At June 30, 2010 and December 31, 2009, $6.0 million and $6.5 million, respectively, of deferred losses remained in AOCI related to these interest rate locks. The amount expected to be reclassified into interest expense over the next twelve months is $1.1 million.

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

	Asset derivatives		**Liability derivatives**	
In millions	**June 30, 2010**	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
Derivatives designated as hedges:				
Currency derivatives	$ 2.3	$ 0.3	$ 0.4	$ 2.7
Derivatives not designated as hedges:				
Currency derivatives	14.6	7.0	7.5	5.2
Total derivatives	$ 16.9	$ 7.3	$ 7.9	$ 7.9

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

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

In millions	Amount of gain (loss) deferred in AOCI 2010	2009	Location of gain (loss) reclassified from AOCI and recognized into earnings	Amount of gain (loss) reclassified from AOCI and recognized into earnings 2010	2009
Currency derivatives	$ 3.8	$ (4.1)	Other, net	$ (0.4)	$ 2.7
Interest rate locks			Interest expense	(0.7)	(0.7)
Total	$ 3.8	$ (4.1)		$ (1.1)	$ 2.0

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

In millions Derivatives not designated as hedges under ASC 815	Location of gain (loss) recognized in earnings	Amount of gain (loss) recognized in earnings 2010	2009
Currency derivatives	Other, net	$ (8.9)	$ 43.9 *
Commodity derivatives	Other, net		0.9
Total		$ (8.9)	$ 44.8

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

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

In millions	Amount of gain (loss) deferred in AOCI 2010	2009	Location of gain (loss) reclassified from AOCI and recognized into earnings	Amount of gain (loss) reclassified from AOCI and recognized into earnings 2010	2009
Currency derivatives	$ 2.8	$ (3.6)	Other, net	$ (1.5)	$ 7.8
Interest rate locks			Interest expense	(1.4)	(1.4)
Total	$ 2.8	$ (3.6)		$ (2.9)	$ 6.4

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

In millions

Derivatives not designated as hedges under ASC 815	**Location of gain (loss) recognized in earnings**	**Amount of gain (loss) recognized in earnings 2010**	**2009**
Currency derivatives	Other, net	$ 11.3	$ 31.2 *
Commodity derivatives	Other, net		1.1
Total		$ 11.3	$ 32.3

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

Concentration of Credit Risk

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

Fair Value of Financial Instruments

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

Note 9 Pensions and Postretirement Benefits Other than Pensions

The Company sponsors several U.S. and non-U.S. pension plans covering substantially all of our U.S. employees and retirees as well as a portion of our non-U.S. employees and retirees. In addition, postretirement plans provide certain benefits to eligible employees.

Pension Plans

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

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

In millions	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Service cost	$ 25.6	$ 17.5	$ 51.3	$ 35.0
Interest cost	48.3	49.2	97.3	97.7
Expected return on plan assets	(48.8)	(44.4)	(98.1)	(88.3)
Net amortization of:				
Prior service costs	2.0	2.1	4.0	4.2
Transition amount		0.1		0.2
Plan net actuarial losses	13.9	14.5	28.0	28.8
Net periodic pension benefit cost	41.0	39.0	82.5	77.6
Net curtailment and settlement (gains) losses			6.2	0.8
Net periodic pension benefit cost after net curtailment and settlement (gains) losses	$ 41.0	$ 39.0	$ 88.7	$ 78.4
Amounts recorded in continuing operations	$ 39.2	$ 36.2	$ 85.1	$ 72.8
Amounts recorded in discontinued operations	1.8	2.8	3.6	5.6
Total	$ 41.0	$ 39.0	$ 88.7	$ 78.4

The Company made employer contributions of $32.8 million and $35.4 million to its defined benefit pension plans during the six months ended June 30, 2010 and 2009, respectively.

The curtailment and settlement losses in 2010 and 2009 are associated with lump sum distributions under supplemental benefit plans for officers and other key employees.

Postretirement Benefits Other Than Pensions

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

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

In millions	Three months ended June 30, 2010	2009	Six months ended June 30, 2010	2009
Service cost	$ 2.5	$ 2.6	$ 4.9	$ 5.2
Interest cost	12.9	14.3	25.8	28.6
Net amortization of prior service gains	(1.0)	(0.8)	(1.8)	(1.7)
Net amortization of net actuarial losses	4.1	4.2	8.3	8.4
Net periodic postretirement benefit cost	$ 18.5	$ 20.3	$ 37.2	$ 40.5
Amounts recorded in continuing operations	$ 10.9	$ 12.2	$ 22.2	$ 24.3
Amounts recorded in discontinued operations	7.6	8.1	15.0	16.2
Total	$ 18.5	$ 20.3	$ 37.2	$ 40.5

Note 10 Fair Value Measurement

FASB ASC 820, Fair Value Measurements and Disclosures (ASC 820) establishes a framework for measuring fair value that is based on the inputs market participants use to determine the fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The fair value hierarchy is comprised of three levels that are described below:

Level 1 Inputs based on quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 Unobservable inputs based on little or no market activity and that are significant to the fair value of the assets and liabilities. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are obtained from independent sources and can be validated by a third party, whereas unobservable inputs reflect assumptions regarding what a third party would use in pricing an asset or liability based on the best information available under the circumstances. A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2010 are as follows:

	Fair value measurements			Total
In millions	Level 1	Level 2	Level 3	fair value
Assets:				
Cash and cash equivalents	$ 821.6	$	$	$ 821.6
Marketable securities	11.0			11.0
Derivative instruments		16.9		16.9
Benefit trust assets	17.4	147.9		165.3
Total	$ 850.0	$ 164.8	$	$ 1,014.8
Liabilities:				
Derivative instruments	$	$ 7.9	$	$ 7.9
Benefit trust liabilities	17.3	157.1		174.4
Total	$ 17.3	$ 165.0	$	$ 182.3

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

Cash and cash equivalents These amounts include cash on hand, demand deposits and all highly liquid investments with original maturities at the time of purchase of three months or less and are held in U.S and non-U.S. currencies.

Marketable securities These securities include investments in publicly traded stock of non-U.S. companies held by non-U.S. subsidiaries of the Company. The fair value is obtained for the securities based on observable market prices quoted on public stock exchanges.

Derivative instruments These instruments include forward contracts related to non-U.S. currencies. The fair value of the derivative instruments are determined based on a pricing model that uses inputs from actively quoted currency markets that are readily accessible and observable.

Benefit trust assets These assets include money market funds and insurance contracts that are the underlying for the benefit assets. The fair value of the assets is based on observable market prices quoted in a readily accessible and observable market.

Benefit trust liabilities These liabilities include deferred compensation and executive death benefits. The fair value is based on the underlying investment portfolio of the deferred compensation and the specific benefits guaranteed in a death benefit contract with each executive.

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

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Note 11 Shareholders Equity

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

The reconciliation of ordinary shares is as follows:

In millions	Total
December 31, 2009	320.6
Shares issued under incentive plans	2.0
June 30, 2010	322.6

The components of shareholders equity for the six months ended June 30, 2010 are as follows:

In millions	IR-Ireland shareholders equity	Noncontrolling interests	Total shareholders equity
Balance at December 31, 2009	$ 7,071.8	$ 103.9	$ 7,175.7
Net earnings (loss)	197.9	10.1	208.0
Currency translation	(305.0)		(305.0)
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax	3.7		3.7
Pension and OPEB adjustments, net of tax	49.9		49.9
Total comprehensive income (loss)	(53.5)	10.1	(43.4)
Share-based compensation	34.5		34.5
Dividends to noncontrolling interests		(8.4)	(8.4)
Dividends to ordinary shareholders	(45.0)		(45.0)
Accretion of exchangeable senior notes	6.6		6.6
Shares issued under incentive plans	37.1		37.1
Other	(0.1)	(0.8)	(0.9)
Balance at June 30, 2010	$ 7,051.4	$ 104.8	$ 7,156.2

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The components of shareholders equity for the six months ended June 30, 2009 are as follows:

In millions	IR-Limited shareholders equity	Noncontrolling interests	Total shareholders equity
Balance at December 31, 2008	$ 6,661.4	$ 100.7	$ 6,762.1
Net earnings (loss)	95.3	10.4	105.7
Currency translation	8.8		8.8
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax	(5.1)		(5.1)
Pension and OPEB adjustments, net of tax	11.9		11.9
Total comprehensive income (loss)	110.9	10.4	121.3
Share-based compensation	36.5		36.5
Issuance of exchangeable notes	38.7		38.7
Acquisition of noncontrolling interests	(0.1)	(1.4)	(1.5)
Dividends to noncontrolling interests		(9.1)	(9.1)
Dividends to common shareholders	(114.9)		(114.9)
Other	3.8		3.8
Balance at June 30, 2009	$ 6,736.3	$ 100.6	$ 6,836.9

Note 12 Share-Based Compensation

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

Stock Options/Restricted Stock Units

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

	2010		2009	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	2,591,967	$ 10.12	4,056,032	$ 5.65
RSUs	764,965	$ 31.68	921,182	$ 16.85

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

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SARs

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

Performance Shares

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

Deferred Compensation

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

Other Plans

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

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

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Compensation Expense

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

In millions	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Stock options	$ 5.4	$ 7.9	$ 20.0	$ 23.0
RSUs	2.8	1.7	8.3	4.5
Performance shares	6.8	5.0	5.6	9.0
Deferred compensation	0.4	0.2	0.7	0.5
SARs and other	0.5	0.7	0.7	1.2
Pre-tax expense	15.9	15.5	35.3	38.2
Tax benefit	(6.1)	(5.9)	(13.5)	(14.6)
After tax expense	$ 9.8	$ 9.6	$ 21.8	$ 23.6

Note 13 Restructuring Activities

Restructuring charges recorded during the three and six months ended June 30, 2010 and 2009 were as follows:

In millions	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Climate Solutions	$ 7.2	$ 16.0	$ 12.2	$ 15.5
Residential Solutions	(0.3)	1.3	0.9	1.5
Industrial Technologies	2.8	9.1	4.1	17.9
Security Technologies	(0.5)	5.1	2.5	5.2
Corporate and Other		9.2	(0.1)	10.7
Total	$ 9.2	$ 40.7	$ 19.6	$ 50.8
Cost of goods sold	$ 7.3	$ 14.6	$ 14.6	$ 17.1
Selling and administrative	1.9	26.1	5.0	33.7
Total	$ 9.2	$ 40.7	$ 19.6	$ 50.8

The changes in the restructuring reserve were as follows:

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Corporate and Other	Total
December 31, 2009	$ 14.4	$ 7.8	$ 4.3	$ 18.2	$ 8.3	$ 53.0
Additions	12.2	0.9	4.1	2.5	(0.1)	19.6
Cash and non-cash uses	(20.7)	(3.5)	(4.1)	(5.7)	(1.7)	(35.7)
Currency translation	(1.0)		(0.5)	(0.8)		(2.3)

June 30, 2010	$	4.9	$	5.2	$	3.8	$	14.2	$	6.5	$	34.6

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In October 2008, the Company announced an enterprise-wide restructuring program necessitated by the lower demand in many of the Company s end markets resulting from the overall deterioration in global economic conditions that began in the second half of 2008 and continued through 2009. The program included streamlining the footprint of manufacturing facilities and reducing the general and administrative cost base across all sectors of the Company. During the six months ended June 30, 2009, the Company incurred costs of $50.8 million associated with this program.

During the six months ended June 30, 2010, the Company incurred costs of $19.6 million associated with ongoing restructuring actions. These actions included workforce reductions as well as the consolidation of manufacturing facilities in an effort to increase efficiencies across multiple lines of business. As of June 30, 2010, the Company had $34.6 million accrued for costs associated with these ongoing restructuring actions, of which a majority will be paid throughout the remainder of 2010.

Note 14 Other, Net

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

	Three months ended June 30,		Six months ended June 30,	
In millions	**2010**	**2009**	**2010**	**2009**
Interest income	$ 5.0	$ 3.3	$ 7.7	$ 7.5
Exchange gain (loss)	(0.7)	(3.3)	(0.6)	(1.2)
Earnings from equity investments	3.7	2.0	6.3	3.5
Other	3.2	0.8	6.5	6.1
Other, net	$ 11.2	$ 2.8	$ 19.9	$ 15.9

Note 15 Income Taxes

The provision for income taxes involves a significant amount of management judgment regarding interpretation of relevant facts and laws in the jurisdictions in which the Company operates. Future changes in applicable laws, projected levels of taxable income and tax planning could change the effective tax rate and tax balances recorded by the Company. In addition, tax authorities periodically review income tax returns filed by the Company and can raise issues regarding its filing positions, timing and amount of income or deductions, and the allocation of income among the jurisdictions in which the Company operates. A significant period of time may elapse between the filing of an income tax return and the ultimate resolution of an issue raised by a revenue authority with respect to that return. In the normal course of business the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Brazil, Canada, Germany, Ireland, Italy, the Netherlands and the United States. In general, the examination of the Company s material tax returns is completed for the years prior to 2000, with certain matters being resolved through appeals and litigation.

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

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

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

Although the outcome of this matter cannot be predicted with certainty, based upon an analysis of the strength of its position, the Company believes that it is adequately reserved for this matter. As the Company moves forward to resolve this matter with the IRS, it is reasonably possible that the reserves established may be adjusted within the next 12 months. However, the Company does not expect that the ultimate resolution will have a material adverse impact on its future results of operations or financial position. At this time, the IRS has not proposed any similar adjustments for years subsequent to 2002. However, if all or a portion of these adjustments proposed by the IRS are ultimately sustained, it is likely to also affect subsequent tax years.

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

Total unrecognized tax benefits as of June 30, 2010 and December 31, 2009 were $537.1 million and $525.1 million, respectively.

As a result of the Patient Protection and Affordable Care Act (the Act) signed into law on March 23, 2010 and the Health Care and Education Reconciliation Bill of 2010 signed into law on March 30, 2010 (together with the Act, the Healthcare Reform Legislation), effective 2013, the tax benefits available to the Company will be reduced to the extent its prescription drug expenses are reimbursed under the Medicare Part D retiree drug subsidy program. Although the provisions of the Healthcare Reform Legislation relating to the retiree drug subsidy program do not take effect until 2013, the Company is

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required to recognize the full accounting impact in its financial statements in the reporting period in which the Healthcare Reform Legislation is enacted. As retiree healthcare liabilities and related tax impacts are already reflected in the Company s financial statements, the Healthcare Reform Legislation resulted in a non-cash charge to income tax expense in the first quarter of 2010 of $40.5 million.

Note 16 Divestitures and Discontinued Operations

The components of discontinued operations for the three and six months ended June 30 are as follows:

	Three months ended June 30,		Six months ended June 30,	
In millions	2010	2009	2010	2009
Revenues	$ 18.5	$ 22.1	$ 36.3	$ 37.1
Pre-tax earnings (loss) from operations	(55.4)	(25.5)	(72.1)	(55.2)
Pre-tax gain (loss) on sale		(2.5)	(0.4)	2.2
Tax expense	(4.9)	9.9	(2.6)	20.2
Discontinued operations, net of tax	$ (60.3)	$ (18.1)	$ (75.1)	$ (32.8)

Discontinued operations by business for the three and six months ended June 30 are as follows:

	Three months ended June 30,		Six months ended June 30,	
In millions	2010	2009	2010	2009
Compact Equipment, net of tax	$ (5.1)	$ (0.2)	$ (3.8)	$ (0.7)
Road Development, net of tax		(0.1)	0.3	4.5
Stationary Refrigeration, net of tax	(45.0)	(6.4)	(49.4)	(14.7)
Other discontinued operations, net of tax	(10.2)	(11.4)	(22.2)	(21.9)
Total discontinued operations, net of tax	$ (60.3)	$ (18.1)	$ (75.1)	$ (32.8)

Compact Equipment Divestiture

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

Road Development Divestiture

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

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Stationary Refrigeration Divestiture

On July 16, 2010, the Company announced the intention to divest its European refrigerated display case business (Stationary Refrigeration), which is sold under the KOXKA brand. The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through company-owned sales branches and a network of distributors throughout Europe, Africa and the Middle East. KOXKA has two manufacturing facilities in Spain and currently employs 445 people.

As of June 30, 2010, the planned divestiture met both the component and held for sale criteria in accordance with GAAP. Therefore, the Company has reported this business as a discontinued operation in this Form 10-Q and has classified the assets and liabilities as held for sale for all periods presented. In addition, included in discontinued operations for the three and six months ended June 30, 2010 is a $38.8 million impairment loss related to the initial write-down of the net assets to their estimated fair value.

On July 29, 2010, the Company agreed to sell the Stationary Refrigeration business to an affiliate of American Industrial Acquisition Corporation (AIAC Group). The transaction is subject to customary closing conditions and is targeted to be complete by the end of September 2010.

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

In millions	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Net revenues	$ 18.5	$ 22.1	$ 36.3	$ 37.1
After-tax earnings (loss) from operations	(6.2)	(6.4)	(10.6)	(14.7)

Assets and liabilities recorded as held for sale on the Condensed Consolidated Balance Sheet were as follows:

In millions	June 30, 2010	December 31, 2009
Assets		
Current assets	$ 31.1	$ 36.6
Property, plant and equipment, net		17.8
Other assets and deferred income taxes		18.9
Assets held for sale	$ 31.1	$ 73.3
Liabilities		
Current liabilities	$ 24.0	$ 25.2
Noncurrent liabilities	5.1	4.3
Liabilities held for sale	$ 29.1	$ 29.5

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Other Discontinued Operations

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

Note 17 Earnings Per Share (EPS)

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

In millions	Three months ended June 30, 2010	2009	Six months ended June 30, 2010	2009
Weighted-average number of basic shares	323.8	320.8	323.2	320.6
Shares issuable under incentive stock plans	5.3	1.9	4.9	1.6
Exchangeable senior notes	10.0	2.3	9.7	1.2
Weighted-average number of diluted shares	339.1	325.0	337.8	323.4
Anti-dilutive shares	14.0	24.0	14.0	26.0

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Note 18 Business Segment Information

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

On July 16, 2010, the Company announced the intention to divest its European refrigerated display case business, which is sold under the KOXKA brand. The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through company-owned sales branches and a network of distributors throughout Europe, Africa and the Middle East. Segment information has been revised to exclude the results of this business for all periods presented.

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

	Three months ended June 30,		**Six months ended June 30,**	
In millions	**2010**	**2009**	**2010**	**2009**
Net revenues				
Climate Solutions	$ 2,017.5	$ 1,903.3	$ 3,620.1	$ 3,488.5
Residential Solutions	640.6	582.1	1,036.1	974.8
Industrial Technologies	624.7	539.7	1,169.4	1,077.3
Security Technologies	420.6	426.6	813.4	829.0
Total	$ 3,703.4	$ 3,451.7	$ 6,639.0	$ 6,369.6
Operating income				
Climate Solutions	$ 194.8	$ 146.1	$ 229.6	$ 159.9
Residential Solutions	64.2	34.3	78.8	30.0
Industrial Technologies	78.7	38.2	138.0	55.4
Security Technologies	88.4	87.5	153.2	152.4
Unallocated corporate expense	(43.1)	(47.0)	(78.6)	(79.2)
Total	$ 383.0	$ 259.1	$ 521.0	$ 318.5

Note 19 Commitments and Contingencies

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

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Environmental Matters

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

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

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

During the three and six months ended June 30, 2010, the Company spent $3.0 million and $6.1 million, respectively, for environmental remediation at sites presently or formerly owned or leased by us. As of June 30, 2010 and December 31, 2009, the Company has recorded reserves for environmental matters of $84.9 million and $93.3 million, respectively. The Company believes that these expenditures will continue and may increase over time. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

Asbestos Matters

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

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

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

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

The methodology used by ARPC to project the Company s total liability for pending and unasserted potential future asbestos-related claims relied upon and included the following factors, among others:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At December 31, 2009, over 91 percent of the open claims against the Company are non-malignancy claims, many of which have been placed on inactive or deferral dockets and the vast majority of which have little or no settlement value against the Company, particularly in light of recent changes in the legal and judicial treatment of such claims.

At June 30, 2010, the Company s liability for asbestos-related matters and the asset for probable asbestos-related insurance recoveries totaled $1,081.0 million and $373.1 million, respectively, compared to $1,113.1 million and $424.2 million at December 31, 2009.

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

	Three months ended June 30,		Six months ended June 30,	
In millions	2010	2009	2010	2009
Continuing operations	$ (0.8)	$ (1.0)	$ (2.6)	$ (0.2)
Discontinued operations	(3.0)	(0.8)	(8.8)	(3.8)
Total	$ (3.8)	$ (1.8)	$ (11.4)	$ (4.0)

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

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The European Commission Investigation

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

On June 23, 2010, European Commission announced fines of EUR 326 million (approximately $400 million) against entities representing the former American Standard Companies Inc. and certain of its former operations in Europe. WABCO has publicly confirmed that it can pay this fine using its existing cash balances and available credit lines and that it intends to satisfy its obligations to Trane and its subsidiaries under the Indemnification Agreement. Under the Indemnification Agreement, WABCO is required to pay the fine amount into escrow by August 30, 2010. As a result, the Company has recorded an indemnification receivable from WABCO within Accounts and notes receivable in the Condensed Consolidated Balance Sheet at June 30, 2010 with a corresponding liability recorded within Accrued expenses and other current liabilities. The announced fines had no impact on the Company s consolidated results of operations.

Oil for Food Program

As previously reported, on November 10, 2004, the Securities and Exchange Commission (SEC) issued an Order directing that a number of public companies, including the Company, provide information relating to their participation in transactions under the United Nations Oil for Food Program. Upon receipt of the Order, the Company undertook a thorough review of its participation in the Oil for Food Program, provided the SEC with information responsive to the Order and provided additional information requested by the SEC. During a March 27, 2007 meeting with the SEC, at which a representative of the Department of Justice (DOJ) was also present, the Company began discussions concerning the resolution of this matter with both the SEC and DOJ. On October 31, 2007, the Company announced it had reached settlements with the SEC and DOJ relating to this matter. Under the terms of the settlements, the Company paid a total of $6.7 million in penalties, interest and disgorgement of profits. The Company has consented to the entry of a civil injunction in the SEC action and has entered into a three-year deferred prosecution agreement (DPA) with the DOJ. Under both settlements, the Company has implemented and will continue to implement improvements to its compliance program

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that are consistent with its longstanding policy against improper payments. In the settlement documents, the Government noted that the Company thoroughly cooperated with the investigation, that the Company had conducted its own complete investigation of the conduct at issue, promptly and thoroughly reported its findings to them, and took prompt remedial measures.

Additionally, we have reported to the DOJ and SEC certain matters involving Trane, including one relating to the Oil for Food Program, and which raise potential issues under the FCPA and other applicable anti-corruption laws. With respect to these matters, we have conducted a thorough investigation, which began in earnest promptly after our acquisition of Trane in June 2008. Previously, we had reported to the SEC and DOJ potential FCPA issues relating to one of our businesses in China, and we have reported back to them and shared our audit report, which indicated no FCPA violations. With respect to that same business in China, we have discussed with the DOJ and SEC another matter which raises potential FCPA issues. We have had preliminary discussions concerning the foregoing with the SEC and DOJ, to be followed by further discussions about them and possibly other matters which raise potential FCPA concerns. These matters (and others which may arise or of which we become aware in the future) may be deemed to violate the FCPA and other applicable anti-corruption laws. Such determinations could subject us to, among other things, further enforcement actions by the SEC or the DOJ (if, for example, the DOJ deems us to have violated the DPA), securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects and the market value of our stock.

Other

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

The following table represents the changes in the product warranty liability for the six months ended June 30:

In millions	**2010**	**2009**
Balance at beginning of period	$ 625.5	$ 638.4
Reductions for payments	(123.4)	(144.4)
Accruals for warranties issued during the current period	134.0	127.7
Changes to accruals related to preexisting warranties	0.3	10.3
Translation	(5.8)	1.0
Balance at end of period	$ 630.6	$ 633.0

Trane has commitments and performance guarantees, including energy savings guarantees, totaling $171.4 million extending from 2010-2030. These guarantees are provided under long-term service and maintenance contracts related to its air conditioning equipment and system controls. Through June 30, 2010, the Company has experienced one insignificant loss under such arrangements and considers the probability of any significant future losses to be remote.

The Company has other contingent liabilities of $3.2 million as of June 30, 2010. These liabilities include performance bonds, guarantees and stand-by letters of credit associated with the prior sale of products by divested businesses as well as existing loan guarantees and residual values of equipment.

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Note 20 Guarantor Financial Information

Ingersoll-Rand plc, an Irish public limited company (IR-Ireland), is the successor to Ingersoll-Rand Company Limited, a Bermuda company (IR-Limited), following a corporate reorganization that became effective on July 1, 2009 (the Ireland Reorganization). IR-Limited is the successor to Ingersoll-Rand Company, a New Jersey corporation (IR-New Jersey), following a corporate reorganization that occurred on December 31, 2001 (the Bermuda Reorganization). Both the Ireland Reorganization and Bermuda Reorganization were accounted for as a reorganization of entities under common control and accordingly, did not result in any changes to the consolidated amounts of assets, liabilities and shareholders equity.

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

In addition, as part of the Bermuda Reorganization, IR-Limited fully and unconditionally guaranteed all of the issued public debt securities of IR-New Jersey. IR-New Jersey unconditionally guaranteed payment of the principal, premium, if any, and interest on IR-Limited s 4.75% Senior Notes due in 2015 in the aggregate principal amount of $300 million. The guarantee is unsecured and provided on an unsubordinated basis. The guarantee ranks equally in right of payment with all of the existing and future unsecured and unsubordinated debt of IR-New Jersey.

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

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

The condensed consolidating financial statements present the investments of IR-Ireland, IR-Limited, IR-Global, IR-International and IR-New Jersey and their subsidiaries using the equity method of accounting. Intercompany investments in the non-voting Class B common shares are accounted for on the cost method and are reduced by intercompany dividends. In accordance with generally accepted accounting

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principles, the amounts related to the issuance of the Class B shares have been recorded as a reduction of Total shareholders equity. The notes payable continue to be reflected as a liability on the balance sheet of IR-New Jersey and are enforceable in accordance with their terms.

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

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Condensed Consolidating Income Statement

For the three months ended June 30, 2010

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	$	$	$	$	$ 179.5	$ 3,523.9	$	$ 3,703.4
Cost of goods sold					(139.6)	(2,516.2)		(2,655.8)
Selling and administrative expenses	(2.4)			(0.1)	(54.6)	(607.5)		(664.6)
Operating income	(2.4)			(0.1)	(14.7)	400.2		383.0
Equity earnings in affiliates (net of tax)	198.9	194.3	231.9	295.8	45.8	195.9	(1,162.6)	
Interest expense			(3.9)	(48.9)	(13.1)	(5.2)		(71.1)
Intercompany interest and fees			(32.7)	(8.5)	(32.4)	73.6		
Other, net	(0.5)	0.2	0.3	(4.6)	5.3	32.6	(22.1)	11.2
Earnings (loss) before income taxes	196.0	194.5	195.6	233.7	(9.1)	697.1	(1,184.7)	323.1
Benefit (provision) for income taxes	0.4				16.0	(77.3)		(60.9)
Continuing operations	196.4	194.5	195.6	233.7	6.9	619.8	(1,184.7)	262.2
Discontinued operations, net of tax					(6.5)	(53.8)		(60.3)
Net earnings (loss)	196.4	194.5	195.6	233.7	0.4	566.0	(1,184.7)	201.9
Less: Net earnings attributable to noncontrolling interests						(32.2)	26.7	(5.5)
Net earnings (loss) attributable to Ingersoll-Rand plc	$ 196.4	$ 194.5	$ 195.6	$ 233.7	$ 0.4	$ 533.8	$ (1,158.0)	$ 196.4

Condensed Consolidating Income Statement

For the six months ended June 30, 2010

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	$	$	$	$	$ 339.6	$ 6,299.4	$	$ 6,639.0
Cost of goods sold					(261.7)	(4,549.8)		(4,811.5)
Selling and administrative expenses	(4.7)			(0.4)	(100.3)	(1,201.1)		(1,306.5)
Operating income	(4.7)			(0.4)	(22.4)	548.5		521.0
Equity earnings in affiliates (net of tax)	202.7	222.4	308.5	404.0	77.9	199.7	(1,415.2)	
Interest expense			(7.8)	(97.1)	(26.4)	(10.8)		(142.1)
Intercompany interest and fees			(66.6)	(15.0)	(62.7)	144.3		
Other, net	(0.8)	0.3	0.6	20.1	9.8	22.5	(32.6)	19.9
Earnings (loss) before income taxes	197.2	222.7	234.7	311.6	(23.8)	904.2	(1,447.8)	398.8
Benefit (provision) for income taxes	0.7				(6.1)	(110.3)		(115.7)

Continuing operations	197.9	222.7	234.7	311.6	(29.9)	793.9	(1,447.8)	283.1
Discontinued operations, net of tax					(4.9)	(70.2)		(75.1)
Net earnings (loss)	197.9	222.7	234.7	311.6	(34.8)	723.7	(1,447.8)	208.0
Less: Net earnings attributable to noncontrolling interests						(22.8)	12.7	(10.1)
Net earnings (loss) attributable to Ingersoll-Rand plc	$ 197.9	$ 222.7	$ 234.7	$ 311.6	$ (34.8)	$ 700.9	$ (1,435.1)	$ 197.9

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Condensed Consolidating Income Statement

For the three months ended June 30, 2009

In millions	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Limited Consolidated
Net revenues	$	$	$	$ 158.7	$ 3,293.0	$	$ 3,451.7
Cost of goods sold	(0.4)			(123.7)	(2,391.4)		(2,515.5)
Selling and administrative expenses	(15.8)		(0.4)	(68.3)	(592.6)		(677.1)
Operating income	(16.2)		(0.4)	(33.3)	309.0		259.1
Equity earnings in affiliates (net of tax)	135.7	0.3	248.5	2.8	(46.3)	(341.0)	
Interest expense	(3.9)		(51.7)	(13.5)	(12.7)		(81.8)
Intercompany interest and fees	11.2	(43.7)	(19.7)	(58.0)	110.2		
Other, net	(4.7)	0.7	(88.1)	53.5	(42.9)	84.3	2.8
Earnings (loss) before income taxes	122.1	(42.7)	88.6	(48.5)	317.3	(256.7)	180.1
Benefit (provision) for income taxes				4.4	(38.8)		(34.4)
Continuing operations	122.1	(42.7)	88.6	(44.1)	278.5	(256.7)	145.7
Discontinued operations, net of tax				(2.2)	(15.9)		(18.1)
Net earnings (loss)	122.1	(42.7)	88.6	(46.3)	262.6	(256.7)	127.6
Less: Net earnings attributable to noncontrolling interests					(9.5)	4.0	(5.5)
Net earnings (loss) attributable to Ingersoll-Rand plc	$ 122.1	$ (42.7)	$ 88.6	$ (46.3)	$ 253.1	$ (252.7)	$ 122.1

Condensed Consolidating Income Statement

For the six months ended June 30, 2009

In millions	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Limited Consolidated
Net revenues	$	$	$	$ 329.2	$ 6,040.4	$	$ 6,369.6
Cost of goods sold	(0.7)			(270.0)	(4,432.0)		(4,702.7)
Selling and administrative expenses	(33.4)		(1.0)	(129.8)	(1,184.2)		(1,348.4)
Operating income	(34.1)		(1.0)	(70.6)	424.2		318.5
Equity earnings in affiliates (net of tax)	146.9	0.7	369.0	(37.7)	(119.4)	(359.5)	
Interest expense	(7.8)		(89.6)	(27.0)	(24.7)		(149.1)
Intercompany interest and fees	(4.2)	(56.7)	(38.6)	(70.1)	169.6		
Other, net	(5.8)	0.6	(87.3)	87.1	(79.2)	100.5	15.9
Earnings (loss) before income taxes	95.0	(55.4)	152.5	(118.3)	370.5	(259.0)	185.3
Benefit (provision) for income taxes				5.6	(52.4)		(46.8)
Continuing operations	95.0	(55.4)	152.5	(112.7)	318.1	(259.0)	138.5
Discontinued operations, net of tax				(6.0)	(26.8)		(32.8)

Net earnings (loss)	95.0	(55.4)	152.5	(118.7)	291.3	(259.0)	105.7
Less: Net earnings attributable to noncontrolling interests	0.3			(0.7)	2.1	(12.1)	(10.4)
Net earnings (loss) attributable to Ingersoll-Rand plc	$ 95.3	$ (55.4)	$ 152.5	$ (119.4)	$ 293.4	$ (271.1)	$ 95.3

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Condensed Consolidating Balance Sheet

June 30, 2010

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Current assets:								
Cash and cash equivalents	$ 0.9	$	$ 3.3	$ 37.0	$ 167.0	$ 613.4	$	$ 821.6
Accounts and notes receivable, net	0.2				201.2	2,620.1		2,821.5
Inventories					74.9	1,354.6		1,429.5
Other current assets	0.7	1.4	0.3	0.1	229.2	446.3		678.0
Assets held for sale						31.1		31.1
Accounts and notes receivable affiliates	19.1	294.5	17.0	2,759.4	2,078.4	51,044.6	(56,213.0)	
Total current assets	20.9	295.9	20.6	2,796.5	2,750.7	56,110.1	(56,213.0)	5,781.7
Investment in affiliates	7,148.9	6,409.2	16,094.4	13,810.4	7,714.2	65,609.8	(116,786.9)	
Property, plant and equipment, net	0.1				208.8	1,575.0		1,783.9
Intangible assets, net					72.4	11,299.9		11,372.3
Other noncurrent assets			1.0	22.4	1,227.6	168.4		1,419.4
Total assets	$ 7,169.9	$ 6,705.1	$ 16,116.0	$ 16,629.3	$ 11,973.7	$ 134,763.2	$ (172,999.9)	$ 20,357.3
Current liabilities:								
Accounts payable and accruals	$ 5.2	$	$ 1.8	$ 52.4	$ 66.1	$ 3,747.7	$	$ 3,873.2
Short term borrowings and current maturities of long-term debt				571.7	351.0	52.5		975.2
Liabilities held for sale						29.1		29.1
Accounts and note payable affiliates	8.5	9.8	4,600.5	6,502.0	4,228.0	40,464.0	(55,812.8)	
Total current liabilities	13.7	9.8	4,602.3	7,126.1	4,645.1	44,293.3	(55,812.8)	4,877.5
Long-term debt			299.4	2,004.0	381.1	225.4		2,909.9
Note payable affiliate			10,789.4		1,047.4		(11,836.8)	
Other noncurrent liabilities		9.0	3.8	296.2	2,430.9	2,946.6	(296.2)	5,390.3
Total liabilities	13.7	18.8	15,694.9	9,426.3	8,504.5	47,465.3	(67,945.8)	13,177.7
Temporary equity				23.4				23.4
Shareholders equity:								
Total shareholders equity	7,156.2	6,686.3	421.1	7,179.6	3,469.2			