Ingersoll-Rand plc
Form 10-Q
April 23, 2015
Table of Contents

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 March 31, 2015

or

o 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 PUBLIC LIMITED COMPANY
(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, including zip code)
+(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, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company," in Rule 12b-2 of the Exchange Act.

Large accelerated filer	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 April 10, 2015 was 264,719,259.

Table of Contents

INGERSOLL-RAND PLC
FORM 10-Q
INDEX

Table of Contents

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended March 31,	
In millions, except per share amounts	2015	2014
Net revenues	$2,887.8	$2,722.9
Cost of goods sold	(2,086.7)	(1,954.8)
Selling and administrative expenses	(630.0)	(613.1)
Operating income	171.1	155.0
Interest expense	(55.1)	(52.0)
Other income/(expense), net	(26.4)	2.2
Earnings before income taxes	89.6	105.2
Provision for income taxes	(26.9)	(24.5)
Earnings from continuing operations	62.7	80.7
Discontinued operations, net of tax	(7.3)	2.9
Net earnings	55.4	83.6
Less: Net earnings attributable to noncontrolling interests	(4.1)	(4.6)
Net earnings attributable to Ingersoll-Rand plc	$51.3	$79.0
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:		
Continuing operations	$58.6	$76.1
Discontinued operations	(7.3)	2.9
Net earnings	$51.3	$79.0
Earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:		
Basic:		
Continuing operations	$0.22	$0.27
Discontinued operations	(0.03)	0.01
Net earnings	$0.19	$0.28
Diluted:		
Continuing operations	$0.22	$0.27
Discontinued operations	(0.03)	0.01
Net earnings	$0.19	$0.28
Weighted-average shares outstanding:		
Basic	265.4	278.3
Diluted	268.5	282.3
Dividends declared per ordinary share	$0.29	$0.25
Total comprehensive income (loss)	$(224.7)	$48.9
Less: Total comprehensive (income) loss attributable to noncontrolling interests	(4.3)	(5.9)
Total comprehensive income (loss) attributable to Ingersoll-Rand plc	$(229.0)	$43.0

See accompanying notes to condensed consolidated financial statements.

Table of Contents

INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In millions	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$733.9	$1,705.2
Accounts and notes receivable, net	2,190.2	2,119.0
Inventories	1,613.0	1,358.9
Deferred taxes and current tax receivable	296.6	299.8
Other current assets	271.1	225.0
Total current assets	5,104.8	5,707.9
Property, plant and equipment, net	1,564.1	1,477.0
Goodwill	5,734.9	5,389.8
Intangible assets, net	4,031.3	3,783.9
Other noncurrent assets	973.9	939.9
Total assets	$17,409.0	$17,298.5
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$1,356.1	$1,290.0
Accrued compensation and benefits	349.6	471.5
Accrued expenses and other current liabilities	1,469.5	1,421.9
Short-term borrowings and current maturities of long-term debt	802.3	482.7
Total current liabilities	3,977.5	3,666.1
Long-term debt	3,741.7	3,741.7
Postemployment and other benefit liabilities	1,430.6	1,438.0
Deferred and noncurrent income taxes	1,229.9	1,174.3
Other noncurrent liabilities	1,242.8	1,233.0
Total liabilities	11,622.5	11,253.1
Equity:		
Ingersoll-Rand plc shareholders' equity:		
Ordinary shares	268.0	266.3
Ordinary shares held in treasury, at cost	(202.5)	(202.5)
Capital in excess of par value	137.7	97.1
Retained earnings	6,515.6	6,540.8
Accumulated other comprehensive income (loss)	(994.6)	(714.3)
Total Ingersoll-Rand plc shareholders' equity	5,724.2	5,987.4
Noncontrolling interest	62.3	58.0
Total equity	5,786.5	6,045.4
Total liabilities and equity	$17,409.0	$17,298.5

See accompanying notes to condensed consolidated financial statements.

Table of Contents

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

In millions	Three months ended March 31, 2015	2014
Cash flows from operating activities:		
Net earnings	$55.4	$83.6
(Income) loss from discontinued operations, net of tax	7.3	(2.9)
Adjustments to arrive at net cash provided by (used in) operating activities:		
Depreciation and amortization	87.9	82.3
Changes in assets and liabilities, net	(329.7)	(258.8)
Other non-cash items, net	63.9	15.0
Net cash provided by (used in) continuing operating activities	(115.2)	(80.8)
Net cash provided by (used in) discontinued operating activities	(10.0)	(41.2)
Net cash provided by (used in) operating activities	(125.2)	(122.0)
Cash flows from investing activities:		
Capital expenditures	(55.7)	(50.5)
Acquisition of businesses, net of cash acquired	(941.7)	(7.0)
Proceeds from sale of property, plant and equipment	4.0	5.3
Net cash provided by (used in) continuing investing activities	(993.4)	(52.2)
Cash flows from financing activities:		
Short-term borrowings, net	327.1	0.1
Proceeds from long-term debt	0.1	4.4
Payments of long-term debt	(16.1)	(0.1)
Net proceeds (repayments) in debt	311.1	4.4
Dividends paid to ordinary shareholders	(73.8)	(65.8)
Dividends paid to noncontrolling interests	—	(3.8)
Repurchase of ordinary shares	—	(787.7)
Other financing activities, net	19.5	1.3
Net cash provided by (used in) continuing financing activities	256.8	(851.6)
Effect of exchange rate changes on cash and cash equivalents	(109.5)	(13.5)
Net increase (decrease) in cash and cash equivalents	(971.3)	(1,039.3)
Cash and cash equivalents - beginning of period	1,705.2	1,937.2
Cash and cash equivalents - end of period	$733.9	$897.9

See accompanying notes to condensed consolidated financial statements.

Table of Contents

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

Note 1 – Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Ingersoll-Rand plc (IR-Ireland), a public limited company incorporated in Ireland in 2009, and its consolidated subsidiaries (collectively, the Company), reflect the consolidated operations of the Company and have been prepared in accordance with United States Securities and Exchange Commission (SEC) interim reporting requirements. Accordingly, the accompanying condensed consolidated financial statements do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP) for full financial statements and should be read in conjunction with the consolidated financial statements included in the IR-Ireland Annual Report on Form 10-K for the year ended December 31, 2014. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which include normal recurring adjustments, necessary to present fairly the condensed consolidated results for the interim periods presented.

Note 2 – Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In April 2014, the FASB issued ASU 2014-08, “Presentation of Financial Statements and Property, Plant, and Equipment - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” ASU 2014-08 provides new guidance related to the definition of a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This guidance is effective for annual periods beginning on or after December 15, 2014 and interim periods within those years. The Company will apply this guidance, as applicable, to future disposals of components or classifications as held for sale.

Recently Issued Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” which amends the current presentation of debt issuance costs in the financial statements. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, instead of as an asset. The amendments are to be applied retrospectively and are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015, but early adoption is permitted. The adoption of the new guidance is not expected to have a material impact on the Company’s condensed consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, “Amendments to the Consolidation Analysis,” which amends certain requirements for determining whether a variable interest entity must be consolidated. The amendments are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The adoption of the new guidance is not expected to have a material impact on the Company’s condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers.” ASU 2014-09 provides new guidance related to how an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASU 2014-08 specifies new accounting for costs associated with obtaining or fulfilling contracts with customers and expands the required disclosures related to revenue and cash flows from contracts with customers. This new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption, with early application not permitted. The Company is currently determining its implementation approach and assessing the impact on the condensed consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.” ASU 2014-12 requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The adoption of the new guidance is not expected to have a material impact on the Company’s condensed consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements - Going Concern - Disclosures of Uncertainties about an entity's Ability to Continue as a Going Concern.” ASU 2014-15 provides new guidance related to

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

management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards and to provide related footnote disclosures. This new guidance is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The requirements of ASU 2014-15 are not expected to have a significant impact on the condensed consolidated financial statements.

Note 3 – Inventories

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

The major classes of inventory were as follows:

In millions	March 31, 2015	December 31, 2014
Raw materials	$566.6	$487.9
Work-in-process	158.2	118.2
Finished goods	957.1	823.1
	1,681.9	1,429.2
LIFO reserve	(68.9)	(70.3)
Total	$1,613.0	$1,358.9

Note 4 – Goodwill

The changes in the carrying amount of goodwill for the three months ended March 31, 2015 were as follows:

In millions	Climate	Industrial	Total
Gross balance as of December 31, 2014	$7,518.9	$366.9	$7,885.8
Accumulated impairment (1)	(2,496.0)	—	(2,496.0)
Net balance as of December 31, 2014	5,022.9	366.9	5,389.8
Acquisitions and adjustments (2)	63.9	425.3	489.2
Currency translation	(126.2)	(17.9)	(144.1)
Gross balance as of March 31, 2015	7,456.6	774.3	8,230.9
Accumulated impairment (1)	(2,496.0)	—	(2,496.0)
Net balance as of March 31, 2015	$4,960.6	$774.3	$5,734.9

(1) The accumulated impairment of $2,496.0 million relates to a charge recorded in the fourth quarter of 2008.

(2) The increase in Climate segment goodwill is primarily related to the acquisition of FRIGOBLOCK in March 2015; the increase in Industrial segment goodwill is related to the acquisition of the Centrifugal Compression division in January 2015. See Note 13 for further discussion of these acquisitions.

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

Note 5 – Intangible Assets
The gross amount of the Company’s intangible assets and related accumulated amortization were as follows:

	March 31, 2015			December 31, 2014		
In millions	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Completed technologies/patents	$210.4	$(151.6)	$58.8	$172.2	$(146.8)	$25.4
Customer relationships	2,028.4	(725.7)	1,302.7	1,850.6	(699.8)	1,150.8
Other	69.0	(47.1)	21.9	55.9	(50.2)	5.7
Total finite-lived intangible assets	2,307.8	$(924.4)	1,383.4	2,078.7	$(896.8)	1,181.9
Trademarks (indefinite-lived)	2,647.9		2,647.9	2,602.0		2,602.0
Total	$4,955.7		$4,031.3	$4,680.7		$3,783.9

Intangible asset amortization expense was $37.0 million and $32.3 million for the three months ended March 31, 2015 and 2014, respectively.
Note 6 – Debt and Credit Facilities
Short-term borrowings and current maturities of long-term debt consisted of the following:

In millions	March 31, 2015	December 31, 2014
Debentures with put feature	$343.0	$343.0
Commercial Paper	435.4	100.0
Other current maturities of long-term debt	7.8	23.6
Other short-term borrowings	16.1	16.1
Total	$802.3	$482.7

Commercial Paper Program
The Company uses borrowings under its commercial paper program for general corporate purposes.
Debentures with Put Feature
At March 31, 2015 and December 31, 2014, the Company had outstanding $343.0 million of fixed rate debentures which only require early repayment at the option of the holder. These debentures contain a put feature that the holders may exercise on each anniversary of the issuance date. If exercised, the Company is obligated to repay in whole or in part, at the holder’s option, the outstanding principal amount (plus accrued and unpaid interest) of the debentures held by the holder. If these options are not exercised, the final maturity dates would range between 2027 and 2028. Holders of these debentures had the option to exercise the put feature on $37.2 million of the outstanding debentures in February 2015, subject to the notice requirement. No exercises were made.

Table of Contents

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

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

In millions	March 31, 2015	December 31, 2014
6.875% Senior notes due 2018	749.6	749.6
2.875% Senior notes due 2019	349.6	349.6
2.625% Senior notes due 2020	299.8	299.8
9.00% Debentures due 2021	125.0	125.0
4.250% Senior notes due 2023	698.9	698.9
7.20% Debentures due 2016-2025	75.0	75.0
3.550% Senior notes due 2024	497.2	497.2
6.48% Debentures due 2025	149.7	149.7
5.750% Senior notes due 2043	498.0	498.0
4.650% Senior notes due 2044	298.2	298.2
Other loans and notes	0.7	0.7
Total	$3,741.7	$3,741.7

Senior Notes due 2020, 2024, and 2044

In October 2014, the Company issued $1.1 billion principal amount of Senior Notes in three tranches through a newly-created wholly-owned subsidiary, Ingersoll-Rand Luxembourg Finance S.A. (IR-Lux). The tranches consist of $300 million of 2.625% Senior Notes due in 2020, $500 million of 3.55% Senior Notes due 2024, and $300 million of 4.65% Senior Notes due in 2044. The notes are fully and unconditionally guaranteed by each of IR-Ireland, Ingersoll-Rand Company Limited (IR-Limited), Ingersoll-Rand International Holding Limited (IR-International), Ingersoll-Rand New Jersey (IR-New Jersey) and Ingersoll-Rand Global Holding Company Limited (IR-Global).

The proceeds from the notes were primarily used to fund (i) the October 2014 redemption of the $200 million of 5.50% Notes due 2015 and $300 million 4.75% Senior Notes due 2015, and (ii) the acquisition of Cameron International Corporation's Centrifugal compression division on January 1, 2015. Related to the redemption, the Company recognized $10.2 million of premium expense in Interest expense.

Other Credit Facilities

The Company has two 5-year, $1.0 billion revolving credit facilities through IR-Global and IR-Lux, one of which matures in March 2017 and the other matures in March 2019.

IR-Ireland, IR-Limited, IR-International, IR-New Jersey, IR-Global and IR-Lux have each provided irrevocable and unconditional guarantees for these credit facilities. The total committed revolving credit facilities of $2.0 billion were unused at March 31, 2015 and December 31, 2014, and provide support for the Company's commercial paper program, as well as other general corporate purposes.

Fair Value of Debt

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

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

The carrying value of the Company's short-term borrowings is a reasonable estimate of fair value due to the short-term nature of the instruments. The fair value of the Company's long-term debt instruments at March 31, 2015 and December 31, 2014 was $5.0

7

billion and $4.7 billion, respectively. The Company measures the fair value of its long-term debt instruments for disclosure purposes based upon observable market prices quoted on public exchanges for similar assets. These fair value inputs are considered Level 2 within the fair value hierarchy discussed above. The methodologies used by the Company to determine the fair value of its long-term debt instruments at March 31, 2015 are the same as those used at December 31, 2014. There have been no transfers between levels of the fair value hierarchy.

Guarantees

Along with IR-Ireland, certain of our 100% directly or indirectly owned subsidiaries have fully and unconditionally guaranteed, on a joint and several basis, public debt issued by other 100% directly or indirectly owned subsidiaries. Refer to Note 17 for our current guarantor structure.

Note 7 – Financial Instruments

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

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

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

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

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

Currency Derivative Instruments

The notional amount of the Company’s currency derivatives was $1,215.4 million and $776.7 million at March 31, 2015 and December 31, 2014, respectively. At March 31, 2015 and December 31, 2014, a gain of $0.8 million and a loss of $1.9 million, net of tax, respectively, was included in AOCI related to the fair value of the Company’s currency derivatives designated as accounting hedges. The amount expected to be reclassified into Net earnings over the next twelve months is a gain of $0.8 million. The actual amounts that will be reclassified to Net earnings may vary from this amount as a result of changes in market conditions. Gains and losses associated with the Company’s currency derivatives not designated as hedges are recorded in Net earnings as changes in fair value occur. At March 31, 2015, the maximum term of the Company’s currency derivatives was approximately twelve months.

Other Derivative Instruments

The Company has utilized forward-starting interest rate swaps and interest rate locks to manage interest rate exposure in periods prior to the anticipated issuance of fixed-rate debt. These instruments have been designated as cash flow hedges. Consequently, when the contracts were settled upon the issuance of the underlying debt, any realized gains or losses in the fair values of the instruments were initially deferred into Accumulated other comprehensive income. These deferred gains or losses are subsequently recognized into Interest expense over the term of the related notes. The net unrecognized gain in AOCI was $5.1 million at March 31, 2015 and $4.9 million at December 31, 2014. The deferred gain at March 31, 2015 will be amortized over the term of notes with maturities ranging from 2018 to 2044. The amount expected to be amortized over the next twelve months is $0.5 million. There were no forward-starting interest rate swaps or interest rate lock contracts outstanding at March 31, 2015 or December 31, 2014.

Fair Value Measurements

The Company measures the fair value of its derivative instruments on a recurring basis using a pricing model that employs spot rates and forward prices from actively quoted currency markets that are readily accessible and observable. These fair value inputs are considered Level 2 within the fair value hierarchy discussed in Note 6. The methodologies used by the Company to determine the fair value of its derivative instruments at March 31, 2015 are the same as those used at December 31, 2014. There have been no transfers between levels of the fair value hierarchy.

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

In millions	Derivative assets		Derivative liabilities	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Currency derivatives designated as hedges	$1.4	$ 0.3	$2.0	$ 3.2
Currency derivatives not designated as hedges	52.4	1.3	9.0	10.1
Total derivatives	$53.8	$ 1.6	$11.0	$ 13.3

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

The following table represents the amounts associated with derivatives designated as hedges affecting Net earnings and AOCI for the three months ended March 31:

In millions	Amount of gain (loss) recognized in AOCI		Location of gain (loss) reclassified from AOCI and recognized into Net earnings	Amount of gain (loss) reclassified from AOCI and recognized into Net earnings	
	2015	2014		2015	2014
Currency derivatives designated as hedges	$1.5	$(0.2)	Cost of goods sold	$ (0.7)	$ (1.3)
Interest rate swaps & locks	—	—	Interest expense	(0.1)	(0.8)
Total	$1.5	$(0.2)		$ (0.8)	$ (2.1)

The following table represents the amounts associated with derivatives not designated as hedges affecting Net earnings for the three months ended March 31:

In millions	Location of gain (loss) recognized in Net earnings	Amount of gain (loss) recognized in Net earnings	
		2015	2014
Currency derivatives not designated as hedges	Other income/(expense), net	$32.3	$(5.5)
Total		$32.3	$(5.5)

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

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 Other Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable and accounts payable are a reasonable estimate of their fair value due to the short-term nature of these instruments. See Note 6 for a discussion of the fair value measurement of the Company's debt instruments.

Note 8 – Pensions and Postretirement Benefits Other than Pensions

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

Pension Plans

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

The components of the Company's net periodic pension benefit costs for the three months ended March 31 were as follows:

	Three months ended	
In millions	2015	2014
Service cost	$18.9	$17.3
Interest cost	32.6	36.9
Expected return on plan assets	(39.6)	(39.2)
Net amortization of:		
Prior service costs	0.8	1.1
Plan net actuarial losses	15.4	9.0
Net periodic pension benefit cost	28.1	25.1
Amounts recorded in continuing operations	$25.5	$23.3
Amounts recorded in discontinued operations	2.6	1.8
Total	$28.1	$25.1

The Company made required and discretionary contributions to its defined benefit pension plans of $7.4 million and $11.4 million during the three months ended March 31, 2015 and 2014, respectively. The Company currently projects that it will contribute approximately $58.3 million to its plans worldwide in 2015.

Postretirement Benefits Other Than Pensions

The Company sponsors several postretirement plans that provide for healthcare benefits, and in some instances, life insurance benefits that cover certain eligible 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.

The components of net periodic postretirement benefit cost for the three months ended March 31 were as follows:

	Three months ended	
In millions	2015	2014
Service cost	$1.0	$1.3
Interest cost	6.0	7.3
Net amortization of:		
Prior service gains	(2.2)	(2.2)
Net actuarial losses	0.1	—
Net periodic postretirement benefit cost	$4.9	$6.4
Amounts recorded in continuing operations	$3.0	$4.2
Amounts recorded in discontinued operations	1.9	2.2

Total	$4.9	$6.4

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

Note 9 – Equity

Changes in ordinary shares and treasury shares for the three months ended March 31, 2015 are as follows:

In millions	Ordinary shares issued	Ordinary shares held in treasury
December 31, 2014	266.3	3.4
Shares issued under incentive plans, net	1.7	—
March 31, 2015	268.0	3.4

In February 2014, our Board of Directors authorized the repurchase of up to $1.5 billion of our ordinary shares under a share repurchase program that began in April 2014. Share repurchases are made from time to time at the discretion of management subject to market conditions, regulatory requirements and other considerations. There were no repurchases during the three months ended March 31, 2015. Of the $1.5 billion authorized in February 2014, $0.9 billion remains unused as of March 31, 2015.

Shares repurchased prior to October 2014 were canceled upon repurchase and accounted for as a reduction of Ordinary shares and Capital in excess of par value, or Retained earnings to the extent Capital in excess of par value was exhausted. Beginning in October 2014, repurchased shares were held in treasury and recognized at cost.

The components of Equity for the three months ended March 31, 2015 were as follows:

In millions	IR-Ireland shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2014	$5,987.4	$58.0	$6,045.4
Net earnings	51.3	4.1	55.4
Currency translation	(305.2)	0.2	(305.0)
Change in value of derivatives qualifying as cash flow hedges, net of tax	2.9	—	2.9
Pension and OPEB adjustments, net of tax	22.0	—	22.0
Total comprehensive income	(229.0)	4.3	(224.7)
Share-based compensation	22.9	—	22.9
Dividends declared to noncontrolling interests	—	—	—
Dividends declared to ordinary shareholders	(76.6)	—	(76.6)
Shares issued under incentive plans, net	19.5	—	19.5
Balance at March 31, 2015	$5,724.2	$62.3	$5,786.5

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

The components of Equity for the three months ended March 31, 2014 were as follows:

In millions	IR-Ireland shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2013	$7,068.9	$62.4	$7,131.3
Net earnings	79.0	4.6	83.6
Currency translation	(43.0)	1.3	(41.7)
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax	2.4	—	2.4
Pension and OPEB adjustments, net of tax	4.6	—	4.6
Total comprehensive income	43.0	5.9	48.9
Share-based compensation	25.8	—	25.8
Dividends declared to noncontrolling interests	—	(3.8)	(3.8)
Dividends declared to ordinary shareholders	(68.3)	—	(68.3)
Shares issued under incentive plans, net	3.5	—	3.5
Repurchase of ordinary shares	(787.7)	—	(787.7)
Balance at March 31, 2014	$6,285.2	$64.5	$6,349.7

Other Comprehensive Income (Loss)

The changes in Accumulated other comprehensive income (loss) for the three months ended March 31, 2015 are as follows:

In millions	Cash flow hedges	Pension and OPEB Items	Foreign Currency Items	Total
Balance at December 31, 2014	$3.1	$(665.1)	$(52.3)	$(714.3)
Other comprehensive income before reclassifications	1.5	14.4	(305.2)	(289.3)
Amounts reclassified from accumulated other comprehensive income	0.8	14.1	—	14.9
Tax (expense) benefit	0.6	(6.5)	—	(5.9)
Net current period other comprehensive income (loss)	$2.9	$22.0	$(305.2)	$(280.3)
Balance at March 31, 2015	$6.0	$(643.1)	$(357.5)	$(994.6)

The changes in Accumulated other comprehensive income (loss) for the three months ended March 31, 2014 are as follows:

In millions	Cash flow hedges and marketable securities	Pension and OPEB Items	Foreign Currency Items	Total
Balance at December 31, 2013	$0.4	$(562.8)	$395.7	$(166.7)
Other comprehensive income before reclassifications	(0.2)	(0.6)	(43.0)	(43.8)
Amounts reclassified from accumulated other comprehensive income	2.1	7.9	—	10.0
Tax (expense) benefit	0.5	(2.5)	—	(2.0)
Net current period other comprehensive income (loss)	$2.4	$4.8	$(43.0)	$(35.8)
Balance at March 31, 2014	$2.8	$(558.0)	$352.7	$(202.5)

12

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

The reclassifications out of Accumulated other comprehensive income (loss) for the three months ended March 31 were as follows:

	Three months ended	
In millions	2015	2014
Cash flow hedges		
Reclassifications of current (gains) losses [(a)]	$0.8	$2.1
Provision for income taxes	(0.2)	—
Reclassifications, net of taxes	$0.6	$2.1
Pension and Postretirement benefits		
Amortization of service costs [(b)]	$(1.4)	$(1.1)
Amortization of actuarial (gains) losses [(b)]	15.5	9.0
Provision for income taxes	(6.5)	(2.5)
Reclassifications, net of taxes	$7.6	$5.4
Total reclassifications, net of provision for income taxes	$8.2	$7.5

(a) Reclassifications of interest rate swaps and locks are reflected within interest expense; reclassifications of foreign exchange swaps are reflected in cost of goods sold.
(b) Reclassifications of pension and postretirement amounts are included in periodic pension costs and periodic benefit costs.

Note 10 – Share-Based Compensation

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

Compensation Expense

Share-based compensation expense is related to continuing operations and is included in Selling and administrative expenses. The expense recognized for the three months ended March 31 were as follows:

	Three months ended	
In millions	2015	2014
Stock options	$6.7	$6.5
RSUs	9.0	10.2
Performance shares	7.6	9.6
Other	1.2	—
Pre-tax expense	24.5	26.3
Tax benefit	(9.4)	(10.1)
After-tax expense	$15.1	$16.2

Stock Options/RSUs

Eligible participants may receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs. Grants issued during the three months ended March 31 were as follows:

	2015		2014	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	1,314,045	$14.15	1,150,982	$14.29
RSUs	373,192	$66.64	372,259	$59.83

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

The average fair value of the stock options granted is determined using the Black-Scholes option-pricing model. The following assumptions were used during the three months ended March 31:

	2015		2014	
Dividend yield	1.73	%	1.67	%
Volatility	28.56	%	31.43	%
Risk-free rate of return	1.24	%	1.46	%
Expected life in years	4.9		4.9	

Expected volatility -- The expected volatility is based on a weighted average of the Company's implied volatility and the most recent historical volatility of the Company's stock commensurate with the expected life.

Risk-free interest rate --The Company applies a yield curve of continuous risk-free rates based upon the published US Treasury spot rates on the grant date.

Expected life -- The expected life of the Company's stock option awards represents the weighted-average of the actual period since the grant date for all exercised or cancelled options and an expected period for all outstanding options.

Dividend yield -- The Company determines the dividend yield based upon the expected quarterly dividend payments as of the grant date and the current fair market value of the Company's stock.

Forfeiture Rate -- The Company analyzes historical data of forfeited options to develop a reasonable expectation of the number of options to forfeit prior to vesting per year. This expected forfeiture rate is applied to the Company's ongoing compensation expense; however, all expense is adjusted to reflect actual vestings and forfeitures.

PSUs

The Company has a Performance Share Program for key employees. The program provides awards in the form of PSUs based on performance against pre-established objectives. The annual target award level is expressed as a number of the Company's ordinary shares. All PSUs are settled in the form of ordinary shares. During the three months ended March 31, 2015, the Company granted PSUs with a maximum award level of approximately 0.4 million shares with a weighted-average fair value per award of $80.44.

PSUs are earned based 50% upon a performance condition, measured at each reporting period by relative EPS growth to the industrial group of companies in the S&P 500 Index and the fair market value of the Company's stock on the date of grant, and 50% upon a market condition, measured by the Company's relative total shareholder return (TSR) as compared to the TSR of the industrial group of companies in the S&P 500 Index over the 3-year performance period. The fair value of the market condition is estimated using a Monte Carlo Simulation approach in a risk-neutral framework based upon historical volatility, risk-free rates and correlation matrix.

Other Plans

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.

The Company has not granted stock appreciation rights (SARs) since 2006 and does not anticipate additional grants in the future. As of March 31, 2015, there were 21,290 SARs outstanding, all of which are vested and expire 10 years from the date of grant. All SARs exercised are settled with the Company's ordinary shares.

Note 11 – Other Income/(Expense), Net

The components of Other, net for the three months ended March 31 were as follows:

	Three months ended	
In millions	2015	2014
Interest income	$2.9	$2.8
Exchange gain (loss)	(32.4)	(4.2)
Earnings (loss) from equity investments	0.6	(3.0)
Other	2.5	6.6
Other income/(expense), net	$(26.4)	$2.2

The Company recognized a loss on foreign currency exchange of $32.4 million for the three months ended March 31, 2015. This loss is comprised of a $42.6 million pre-tax charge related to the remeasurement of net monetary assets denominated in Venezuelan bolivar discussed below, partially offset by $10.2 million of foreign currency transaction gains resulting from the remeasurement of non-functional balance sheet positions into their functional currency.

The Company recognized earnings (losses) of $0.6 million and $(3.0) million for the three months ended March 31, 2015 and 2014, respectively, from our 36.7% ownership interest in Hussmann, a refrigeration display case business. The investment is accounted for using the equity method of accounting, and is reflected within Other noncurrent assets on the Condensed Consolidated Balance Sheets.

Other activity for the three months ended March 31, 2014 is primarily composed of a $6.0 million gain on the sale of an investment.

Venezuela Currency Devaluation

The Company has one subsidiary with operations in Venezuela. Due to the historical designation of Venezuela as a highly inflationary economy, the U.S. dollar is the functional currency for this subsidiary. Since February 2013, the Company has utilized the official exchange rate obtained through the National Center of Foreign Trade (CENCOEX) of 6.3 bolivars to the U.S. dollar to translate the Venezuela subsidiary financial statements.

In January 2014, the Venezuelan government significantly expanded the use of the Supplementary Foreign Currency Administration System (SICAD) I exchange market and created a third exchange market called SICAD II. In January 2015, the Venezuelan government clarified the priority imports for the CENCOEX exchange and the Company's products were not listed as a priority. In February 2015, the Venezuelan government announced a new exchange market called the Marginal Currency System (SIMADI), which replaced the SICAD II exchange and allows for trading based on supply and demand. These markets have exchange rates significantly less favorable than the CENCOEX rate.

In light of the developments described above and the continued deterioration in the economic conditions of Venezuela, it was determined the CENCOEX rate is no longer available to us. In connection with the Company's preparation of the first quarter 2015 financial statements, the Company utilized the SIMADI rate of 192.95 bolivars to U.S. dollar to translate the financial position of our Venezuelan subsidiary as of March 31, 2015. As a result the Company recorded a pre-tax charge of $42.6 million (within Other income/(expense), net) related to the remeasurement of net monetary assets at March 31, 2015. As of March 31, 2015, the Company had net monetary assets of approximately 278 million bolivars, equal to $1.4 million in U.S dollars. Net revenues of our Venezuelan subsidiary were approximately 300 million bolivars for the year ended December 31, 2014.

Note 12 – Income Taxes

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

Table of Contents

Netherlands and the United States. In general, the examination of the Company’s material tax returns is complete for the years prior to 2001, with certain matters being resolved through appeals and litigation.
In 2007, the Company received a notice from the IRS containing proposed adjustments to the Company's tax filings in connection with an audit of the 2001 and 2002 tax years. The IRS did not contest the validity of the Company's reincorporation in Bermuda. The IRS proposed to ignore the entities that hold the intercompany debt incurred in connection with the Company's reincorporation in Bermuda (the "2001 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 that the Company owes additional taxes with respect to 2002 of approximately $84 million plus interest. In 2010, the Company received an amended notice from the IRS assessing penalties of 30% on the asserted underpayment of tax described above.
The Company has so far been unsuccessful in resolving this dispute and in 2013 received a Notice of Deficiency from the IRS for 2002. The Company filed a petition in the United States Tax Court in November 2013 contesting this deficiency. In its January 2014 answer to the Company’s petition, the IRS asserted that the Company also owes 30% withholding tax on the portion of 2002 interest payments made on the 2001 Debt upon which it did not previously assert withholding tax. This increases the total tax liability proposed for 2002 to $109.0 million ($84 million referred to in the paragraph above plus an additional $25.0 million) plus 30% penalties and interest.
In 2013, the Company received notices from the IRS containing proposed adjustments to the Company's tax filings in connection with an audit of the 2003-2006 tax years. In these notices, the IRS asserts that the Company owes a total of approximately $665 million of additional taxes, as described more fully in the two paragraphs below, in connection with the Company's interest payments on the 2001 Debt for the 2003-2006 period, plus penalties and interest on these unpaid taxes.
The IRS continues to take the position on the 2001 Debt, which was retired at the end of 2011, that it previously took for the Company's 2002 tax year and which is described above. As a result of this recharacterization, the IRS asserts that the Company owes approximately $455.0 million of withholding tax for 2003-2006 plus 30% penalties.
The IRS also proposes to extend its position further and to treat all of the interest income from the 2001 Debt as creating earnings and profits at IR-Limited and, as a result, recharacterize the distributions made by IR-Limited during the 2002-2006 tax years as taxable dividends instead of as a return of capital. Consequently the IRS asserts that the Company owes approximately $210.0 million of income tax on these dividends plus penalties of 20%. The Company strongly disagrees with the view of the IRS and filed a protest in January 2014 for the 2003-2006 tax years.
Furthermore, a substantial amount of information has been provided to the IRS in connection with its audit of our 2007-2011 tax years. We expect the IRS to propose similar adjustments with respect to the 2001 Debt, although the Company does not know how the IRS will apply its position to the different facts presented in these years or whether the IRS will take a similar position with respect to intercompany debt instruments not outstanding in prior years.
The Company has vigorously contested all of these proposed adjustments and intends to continue to do so. Although the outcome of these matters cannot be predicted with certainty, based upon an analysis of the merits of the Company's position, the Company believes that it is adequately reserved under the applicable accounting standards for these matters and does not expect that the ultimate resolution will have a material adverse impact on its future results of operations, financial condition, or cash flows. As the Company moves forward to resolve these matters with the IRS, the reserves established may be adjusted. Although the Company continues to contest the IRS's position, there can be no assurance that it will be successful. If the IRS's position with respect to the 2002-2006 tax years is ultimately sustained, the Company would be required to record additional charges and the resulting liability would have a material adverse impact on its future results of operations, financial condition and cash flows.
The Company believes that it has adequately provided for any reasonably foreseeable resolution of any tax disputes, but will adjust its reserves if events so dictate in accordance with GAAP. To the extent that the ultimate results differ from the original or adjusted estimates of the Company, the effect will be recorded in the Provision for income taxes.

Total unrecognized tax benefits as of March 31, 2015 and December 31, 2014 were $356.5 million and $343.8 million, respectively.

Note 13 – Acquisitions and Divestitures

Acquisitions

Cameron’s Centrifugal Compression Division

On January 1, 2015, the Company completed the previously announced acquisition of the assets of Cameron International Corporation’s Centrifugal Compression division for approximately $850 million. The acquired business manufactures centrifugal compression equipment and provides aftermarket parts and services for global industrial applications, air separation, gas transmission and process. The acquisition was financed through a combination of cash on hand and debt.

The results of the Centrifugal Compression business have been included in our consolidation financial statements since the date of the acquisition and are reported within our Industrial segment. The aggregate value, net of cash acquired, was allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date.

The following table summarizes our current estimate of the fair values of the identifiable assets acquired and liabilities assumed as of January 1, 2015:

In millions	January 1, 2015
Cash	$ 10.2
Accounts receivable	37.7
Inventories	100.1
Property, plant, and equipment	63.6
Intangible assets	272.2
Other assets	36.3
Accounts payable, accrued expenses and other liabilities	(102.3)
Net identifiable assets acquired	417.8
Goodwill	425.3
Net assets acquired	$ 843.1

The Company recorded intangible assets based on their estimate fair value, which consisted of the following:

In millions	Useful Life	January 1, 2015
Customer relationships	14 years	$ 179.4
Trademarks	Indefinite	40.2
Completed technologies/patents	10 years	36.6
Other	2 - 5 years	16.0
Total		$ 272.2

The excess of the purchase price over the estimated fair values of identifiable assets acquired was recorded as goodwill, and was equal to $425.3 million. This goodwill is mainly attributable to benefits the Company expects to realize by integrating Centrifugal Compression’s products with our existing offerings and service network, by streamlining engineering and new product development efforts, and through other financial synergies.

FRIGOBLOCK

On March 4, 2015, the Company acquired 100% of the outstanding stock of FRIGOBLOCK for approximately $113 million. FRIGOBLOCK manufactures and designs transport refrigeration units for trucks and trailers, which it sells primarily in Western Europe. FRIGOBLOCK’s financial results are included in our consolidated financial statements as of the date of acquisition and reported within our Climate segment.

Divestitures

In December 2013, the Company separated its commercial and residential security business, Allegion, through a distribution to shareholders. During the three months ended March 31, 2015 and 2014, the Company recognized gains or losses from the resolution of certain administrative matters with Allegion and other previously sold business, including income tax, postretirement benefits and legal-related matters. The components of Discontinued operations, net of tax for the three months ended March 31 were as follows:

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

	Three months ended	
In millions	2015	2014
Net revenues	$—	$—
Pre-tax earnings (loss) from operations	$(8.8)	$1.4
Tax benefit (expense)	1.5	1.5
Discontinued operations, net of tax	$(7.3)	$2.9

Note 14 – Earnings Per Share (EPS)

Basic EPS is calculated by dividing Net earnings attributable to IR-Ireland by the weighted-average number of ordinary shares outstanding for the applicable period. Diluted EPS is calculated after adjusting the denominator of the basic EPS calculation for the effect of all potentially dilutive ordinary shares, which in the Company's case, includes shares issuable under share-based compensation plans. The following table summarizes the weighted-average number of ordinary shares outstanding for basic and diluted earnings per share calculations for the three months ended March 31:

	Three months ended	
In millions	2015	2014
Weighted-average number of basic shares	265.4	278.3
Shares issuable under incentive stock plans	3.1	4.0
Weighted-average number of diluted shares	268.5	282.3
Anti-dilutive shares	2.1	1.2

Note 15 – Business Segment Information

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that the operating segments' results are prepared on a management basis that is consistent with the manner in which the Company disaggregates financial information for internal review and decision making. The Company largely evaluates performance based on Segment operating income and Segment operating margins. Segment operating income is the measure of profit and loss that the Company's chief operating decision maker uses to evaluate the financial performance of the business and as the basis for performance reviews, compensation and resource allocation. For these reasons, the Company believes that Segment operating income represents the most relevant measure of segment profit and loss. The Company may exclude certain charges or gains from Operating income to arrive at a Segment operating income that is a more meaningful measure of profit and loss upon which to base its operating decisions.

Our Climate segment delivers energy-efficient solutions globally and includes Trane® and American Standard® Heating & Air Conditioning which provide heating, ventilation and air conditioning (HVAC) systems, and commercial and residential building services, parts, support and controls; and Thermo King® transport temperature control solutions.

Our Industrial segment delivers products and services that enhance energy efficiency, productivity and operations. It includes Ingersoll Rand® compressed air systems and services, power tools, material handling systems, ARO® fluid management equipment, as well as Club Car® golf, utility and rough terrain vehicles.

A summary of operations by reportable segment for the three months ended March 31 was as follows:

	Three months ended	
In millions	2015	2014
Net revenues		
Climate	$2,158.5	$2,040.8
Industrial	729.3	682.1
Total	$2,887.8	$2,722.9
Segment operating income		
Climate	$150.9	$131.0
Industrial	74.8	79.3
Total	$225.7	$210.3
Reconciliation to Operating income		
Unallocated corporate expense	(54.6)	(55.3)
Operating income	$171.1	$155.0

Note 16 – Commitments and Contingencies

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

Environmental Matters

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

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

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

For the three months ended March 31, 2015 and 2014, the Company incurred expenses of $1.0 million and $2.4 million, respectively. As of March 31, 2015 and December 31, 2014, the Company has recorded reserves for environmental matters of $46.3 million and $45.2 million, respectively. Of these amounts, $36.8 million and $36.3 million, respectively, relate to remediation of sites previously disposed by the Company. Environmental reserves are classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on their expected term. The Company's total current environmental reserve at March 31, 2015 and December 31, 2014 was $13.6 million and $17.1 million, respectively. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

Asbestos-Related Matters

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

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

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

At March 31, 2015 and December 31, 2014, over 80 percent of the open claims against the Company are non-malignancy or unspecified disease claims, many of which have been placed on inactive or deferral dockets and the vast majority of which have little or no settlement value against the Company, particularly in light of recent changes in the legal and judicial treatment of such claims.

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

In millions	March 31, 2015	December 31, 2014
Accrued expenses and other current liabilities	$68.2	$67.6
Other noncurrent liabilities	694.1	709.0
Total asbestos-related liabilities	$762.3	$776.6
Other current assets	$36.0	$57.2
Other noncurrent assets	289.0	278.5
Total asset for probable asbestos-related insurance recoveries	$325.0	$335.7

The Company's asbestos insurance receivable related to IR-New Jersey and Trane was $167.5 million and $157.5 million at March 31, 2015, respectively, and $176.8 million and $158.9 million at December 31, 2014, respectively.

The (costs) income associated with the settlement and defense of asbestos-related claims after insurance recoveries for the three and three months ended March 31 were as follows:

	Three months ended	
In millions	2015	2014
Continuing operations	$1.3	$(1.8)

Discontinued operations	(1.3)	(1.3)
Total	$—	$(3.1)

20

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

Trane has now settled claims regarding asbestos coverage with most of its insurers. The settlements collectively account for approximately 95% of its recorded asbestos-related insurance receivable as of March 31, 2015. Most of Trane's settlement agreements constitute "coverage-in-place" arrangements, in which the insurer signatories agree to reimburse Trane for specified portions of its costs for asbestos bodily injury claims and Trane agrees to certain claims-handling protocols and grants to the insurer signatories certain releases and indemnifications. Trane remains in litigation in an action that Trane filed in November 2010 in the Circuit Court for La Crosse County, Wisconsin, relating to claims for insurance coverage for a subset of Trane's historical asbestos-related liabilities.

In January 2012, IR-New Jersey filed an action in the Superior Court of New Jersey, Middlesex County, seeking a declaratory judgment and other relief regarding the Company's rights to defense and indemnity for asbestos claims. The defendants are several dozen solvent insurance companies, including companies that have been paying a portion of IR-New Jersey's asbestos claim defense and indemnity costs. The action involves certain of IR-New Jersey's unexhausted insurance policies applicable to the asbestos claims that are not subject to any settlement agreement. The responding defendants generally challenged the Company's right to recovery, and raised various coverage defenses. In December 2013, IR-New Jersey filed a similar action in the same court against an insurer that was not a party to the 2012 action.

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

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

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

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

Warranty Liability

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

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

The changes in the standard product warranty liability for the three months ended March 31 were as follows:

In millions	2015	2014
Balance at beginning of period	$253.6	$246.9
Reductions for payments	(30.1)	(34.8)
Accruals for warranties issued during the current period	31.2	37.7
Changes to accruals related to preexisting warranties	7.6	4.7
Translation	(4.2)	(0.2)
Balance at end of period	$258.1	$254.3

Standard product warranty liabilities are classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on their expected term. The Company's total current standard product warranty reserve at March 31, 2015 and December 31, 2014 was $150.1 million and $147.8 million, respectively.

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

The changes in the extended warranty liability for the three months ended March 31 were as follows:

In millions	2015	2014
Balance at beginning of period	$330.1	$357.9
Amortization of deferred revenue for the period	(24.9)	(24.0)
Additions for extended warranties issued during the period	19.4	17.9
Changes to accruals related to preexisting warranties	0.8	(2.4)
Translation	(1.7)	(0.5)
Balance at end of period	$323.7	$348.9

The extended warranty liability is classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on the timing of when the deferred revenue is expected to be amortized into Revenue. The Company's total current extended warranty liability at March 31, 2015 and December 31, 2014 was $97.2 million. For the three months ended March 31, 2015 and 2014, the Company incurred costs of $11.9 million and $12.7 million, respectively, related to extended warranties.

Other

Trane has commitments and performance guarantees, including energy savings guarantees, totaling $433.7 million extending from 2014-2033. These guarantees are provided under long-term service and maintenance contracts related to its air conditioning equipment and system controls. Through March 31, 2015, the Company has experienced no significant losses under such arrangements and considers the probability of any significant future losses to be remote.

Refer to Note 12 for a discussion of income tax-related contingencies.

Note 17 – Guarantor Financial Information

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

As part of the Bermuda Reorganization, IR-Limited fully and unconditionally guaranteed all of the issued public debt securities of IR-New Jersey. IR-New Jersey unconditionally guaranteed IR-Limited’s 4.75% Senior Notes due in 2015 in the aggregate principal amount of $300 million. See Note 6 for a discussion of the 2014 financing activities that included the repayment of these 2015 Senior Notes.

As part of the Ireland Reorganization, IR-Ireland became the ultimate parent company and Ingersoll-Rand International Holding Limited (IR-International) became its stand-alone subsidiary. In addition, (i) IR-International assumed the obligations of IR-Limited as issuer or guarantor, as the case may be, and (ii) IR-Ireland and IR-Limited fully and unconditionally guaranteed the obligations under the various indentures covering the currently outstanding public debt of IR-International, Ingersoll-Rand Global Holding Company Limited (IR-Global), and IR-New Jersey. 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 has since been settled. In 2013, the public outstanding indentures of IR-Global and IR-International were modified to include IR-New Jersey as a co-obligor.

In the fourth quarter of 2014, the Company issued $1.1 billion of public debt through a newly incorporated, wholly-owned subsidiary, Ingersoll-Rand Luxembourg Finance S.A. (IR-Lux). This debt was guaranteed fully and unconditionally by each of the existing guarantors (IR-Ireland, IR-Limited, IR-International and IR-New Jersey) as well as IR-Global. Also in 2014, the public indentures of IR-Global and IR-New Jersey were modified to include IR-Lux as a guarantor.

Our current guarantor structure is as follows:

- IR-Ireland, IR-Limited, IR-International and IR-Lux fully and unconditionally guarantee the outstanding public debt of IR-Global and IR-New Jersey;
- IR-Ireland, IR-Limited, IR-International, IR-Global and IR-New Jersey fully and unconditionally guarantee the outstanding public debt of IR-Lux;
- IR-Ireland, IR-Limited, IR-International and IR-New Jersey fully and unconditionally guarantee the revolving credit facilities of IR-Global and IR-Lux (as an additional borrower), and each of IR-Global and IR-Lux guarantee any revolving credit facility borrowings of the other;
- IR-Ireland, IR-Limited, IR-International and IR-New Jersey fully and unconditionally guarantee any commercial paper borrowings of IR-Global or IR-Lux, and IR-Global guarantees any such borrowings of IR-Lux;
- IR-New Jersey is a co-obligor of the outstanding public debt issued by IR-Global.

See Note 6 for a further discussion of public debt issuances and related guarantees.

The Condensed Consolidating Financial Statements present the investments of IR-Ireland, IR-Limited, IR-Global, IR-International, IR-New Jersey and IR-Lux and their subsidiaries using the equity method of accounting. In accordance with generally accepted accounting principles, the amounts related to the issuance of the Class B shares were recorded as a reduction of Total equity. The Notes payable affiliate continues to be reflected on the Condensed Consolidating Balance Sheet of IR-International and is enforceable in accordance with their terms.

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

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

Condensed Consolidating Statement of Comprehensive Income
For the three months ended March 31, 2015

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	IR Lux	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	$—	$—	$ —	$ —	$277.0	$—	$ 2,610.8	$ —	$ 2,887.8
Cost of goods sold	—	—	—						