Ingersoll-Rand plc
Form 10-Q
October 28, 2011
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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 September 30, 2011
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 October 14, 2011 was 312,176,652.

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED INCOME STATEMENT
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
In millions, except per share amounts	2011	2010	2011	2010
Net revenues	$3,928.5	$3,730.3	$11,328.2	$10,367.4
Cost of goods sold	(2,771.8)	(2,643.8)	(8,032.6)	(7,436.1)
Selling and administrative expenses	(712.2)	(675.8)	(2,125.2)	(1,988.6)
Loss on sale/asset impairment	(264.8)	—	(651.6)	—
Operating income	179.7	410.7	518.8	942.7
Interest expense	(69.7)	(70.2)	(209.7)	(212.3)
Other, net	21.3	8.7	28.6	22.3
Earnings before income taxes	131.3	349.2	337.7	752.7
Provision for income taxes	(29.2)	(72.1)	(168.4)	(189.4)
Earnings from continuing operations	102.1	277.1	169.3	563.3
Discontinued operations, net of tax	(8.6)	(39.5)	(48.1)	(117.7)
Net earnings	93.5	237.6	121.2	445.6
Less: Net earnings attributable to noncontrolling interests	(7.3)	(5.4)	(20.3)	(15.5)
Net earnings attributable to Ingersoll-Rand plc	$86.2	$232.2	$100.9	$430.1
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	$94.8	$271.7	$149.0	$547.7
Discontinued operations	(8.6)	(39.5)	(48.1)	(117.6)
Net earnings	$86.2	$232.2	$100.9	$430.1
Earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:				
Basic:				
Continuing operations	$0.29	$0.84	$0.45	$1.69
Discontinued operations	(0.03)	(0.12)	(0.15)	(0.36)
Net earnings	$0.26	$0.72	$0.30	$1.33
Diluted:				
Continuing operations	$0.28	$0.80	$0.43	$1.62
Discontinued operations	(0.03)	(0.12)	(0.14)	(0.35)
Net earnings	$0.25	$0.68	$0.29	$1.27
Weighted-average shares outstanding				
Basic	327.7	324.7	331.0	323.7
Diluted	340.2	339.0	347.1	338.2
Dividends declared per ordinary share	$0.12	$0.07	$0.31	$0.21

See accompanying notes to condensed consolidated financial statements.

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INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

In millions	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$1,403.8	$1,014.3
Accounts and notes receivable, net	2,366.1	2,237.6
Inventories	1,512.9	1,289.0
Other current assets	608.8	603.7
Assets held for sale	44.5	1,136.0
Total current assets	5,936.1	6,280.6
Property, plant and equipment, net	1,601.2	1,669.0
Goodwill	6,159.8	6,152.8
Intangible assets, net	4,386.3	4,483.4
Other noncurrent assets	1,419.0	1,405.1
Total assets	$19,502.4	$19,990.9
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$1,345.0	$1,261.1
Accrued compensation and benefits	525.1	545.4
Accrued expenses and other current liabilities	1,659.2	1,550.7
Short-term borrowings and current maturities of long-term debt	760.0	761.6
Liabilities held for sale	44.0	167.1
Total current liabilities	4,333.3	4,285.9
Long-term debt	2,881.0	2,922.3
Postemployment and other benefit liabilities	1,416.2	1,439.1
Deferred and noncurrent income taxes	1,657.8	1,675.2
Other noncurrent liabilities	1,528.7	1,592.6
Total liabilities	11,817.0	11,915.1
Temporary equity	6.7	16.7
Equity:		
Ingersoll-Rand plc shareholders’ equity:		
Ordinary shares	316.0	328.2
Capital in excess of par value	2,154.7	2,571.7
Retained earnings	5,388.8	5,389.4
Accumulated other comprehensive income (loss)	(270.2)	(325.0)
Total Ingersoll-Rand plc shareholders’ equity	7,589.3	7,964.3
Noncontrolling interests	89.4	94.8
Total equity	7,678.7	8,059.1
Total liabilities and equity	$19,502.4	$19,990.9

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30,	
In millions	2011	2010
Cash flows from operating activities:		
Net earnings	$121.2	$445.6
(Income) loss from discontinued operations, net of tax	48.1	117.7
Adjustments to arrive at net cash provided by (used in) operating activities:		
Loss on sale/asset impairment	651.6	—
Depreciation and amortization	302.1	329.4
Stock settled share-based compensation	31.0	46.5
(Gain) loss on sale of property, plant and equipment	(24.2)	—
Changes in other assets and liabilities, net	(428.8)	(437.1)
Other, net	62.0	80.4
Net cash provided by (used in) continuing operating activities	763.0	582.5
Net cash provided by (used in) discontinued operating activities	(22.2)	(65.6)
Cash flows from investing activities:		
Capital expenditures	(129.1)	(117.3)
Acquisition of businesses, net of cash acquired	(1.8)	(5.5)
Proceeds from sale of property, plant and equipment	49.3	12.2
Proceeds from business dispositions, net of cash sold	336.7	—
Net cash provided by (used in) continuing investing activities	255.1	(110.6)
Net cash provided by (used in) discontinued investing activities	44.4	0.4
Cash flows from financing activities:		
Short-term borrowings, net	25.5	23.9
Proceeds from long-term debt	2.1	51.6
Payments of long-term debt	(80.1)	(523.1)
Net proceeds (repayments) in debt	(52.5)	(447.6)
Debt issuance costs	(2.4)	(5.5)
Dividends paid to ordinary shareholders	(101.5)	(67.7)
Dividends paid to noncontrolling interests	(22.9)	(9.4)
Acquisition of noncontrolling interest	(1.3)	(8.0)
Proceeds from shares issued under incentive plans	107.4	47.5
Repurchase of ordinary shares	(575.6)	—
Other, net	(1.5)	—
Net cash provided by (used in) continuing financing activities	(650.3)	(490.7)
Effect of exchange rate changes on cash and cash equivalents	(0.5)	18.0
Net increase (decrease) in cash and cash equivalents	389.5	(66.0)
Cash and cash equivalents - beginning of period	1,014.3	876.7
Cash and cash equivalents - end of period	$1,403.8	$810.7

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®, 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. 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 equity. 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. IR-Ireland continues to be subject to United States Securities and Exchange Commission (SEC) reporting requirements and prepare financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Shares of IR-Ireland continue to trade on the New York Stock Exchange under the symbol "IR", the same symbol under which the IR-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 IR-Ireland Annual Report on Form 10-K for the year ended December 31, 2010.

Certain reclassifications of amounts reported in prior years have been made to conform to the 2011 classification. The Company reclassified its earnings from equity investments from Other, net to Cost of goods sold, as the related investments have been deemed to be integral to the Company's operations. This reclassification had a $2.5 million and $8.8 million impact, respectively, on the Condensed Consolidated Income Statement for the three and nine months ended September 30, 2010. The Company also made certain reclassifications of research and development costs and information technology costs within Operating income. These reclassifications resulted in a net $5.1 million and $12.8 million decrease, respectively, to Cost of goods sold with a corresponding increase to Selling and administrative expenses for the three and nine months ended September 30, 2010.

On September 30, 2011, the Company completed a transaction to sell its Hussmann refrigerated display case business to a newly-formed affiliate (Hussmann Parent) of private equity firm Clayton Dubilier & Rice, LLC (CD&R). This transaction included the equipment business and certain of the service branches in the U.S. and Canada, and the equipment, service and installation businesses in Mexico, Chile, Australia, New Zealand, and Japan (Hussmann Business). The final transaction allowed Hussmann Parent the option to acquire the remaining North American Hussmann service and installation branches (Hussmann Branches). Hussmann Parent exercised its option on October 13, 2011. The Hussmann Business and Branches, which are reported as part of the Climate Solutions segment, manufacture, market, distribute, install, and service refrigerated display merchandising equipment, refrigeration systems, over the counter parts, and other commercial and industrial refrigeration applications.

The Hussmann Business divestiture, which was originally announced on April 21, 2011 and anticipated to be a sale of 100% of the Company's interest in the Hussmann Business, with no retained ongoing interest, met the criteria for classification as held for sale and for treatment as discontinued operations in accordance with GAAP during the first and second quarters of 2011. Therefore, the Company reported the Hussmann Business as a discontinued operation and classified the assets and liabilities as held for sale in those periods. During the third quarter of 2011, the Company negotiated the final terms of a transaction to sell the Hussmann

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Business and Branches to CD&R in exchange for $370 million in cash, subject to purchase price adjustments, and common stock of Hussmann Parent, such that following the sale, CD&R would own cumulative convertible participating preferred stock of Hussmann Parent, initially representing 60% of the outstanding capital stock (on an as-converted basis) of Hussmann Parent, and the Company would own all of the common stock, representing the remaining 40% of the outstanding capital stock (on an as-converted basis) of Hussmann Parent. At September 30, 2011, the Hussmann Branches met the held for sale criteria outlined in GAAP. However, the Hussmann Business and Branches did not qualify for treatment as a discontinued operation as the Company's equity interest in the Hussmann Parent represents significant continuing involvement. Therefore, the results of the Hussmann Business and Branches have been presented as continuing operations beginning with this third quarter 2011 Form 10-Q for all periods presented.

On December 30, 2010, the Company completed the divestiture of its gas microturbine generator business, which was sold under the Energy Systems brand, to Flex Energy, Inc. On October 4, 2010, the Company completed the divestiture of its European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). As a result of these sales, the Company has reported these businesses as discontinued operations 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	September 30, 2011	December 31, 2010
Raw materials	$424.7	$357.3
Work-in-process	222.8	215.3
Finished goods	960.3	802.3
	1,607.8	1,374.9
LIFO reserve	(94.9)	(85.9)
Total	$1,512.9	$1,289.0

Note 4 – Goodwill

The changes in the carrying amount of Goodwill for the nine months ended September 30, 2011 are as follows:

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Total
Beginning balance (gross)	$5,381.8	$2,326.4	$368.1	$916.5	$8,992.8
Acquisitions and adjustments *	(8.7)	(5.7)	(0.3)	0.3	(14.4)
Currency translation	13.6	—	1.7	6.1	21.4
Ending balance (gross)	5,386.7	2,320.7	369.5	922.9	8,999.8
Accumulated impairment **	(839.8)	(1,656.2)	—	(344.0)	(2,840.0)
Goodwill (net)	$4,546.9	$664.5	$369.5	$578.9	$6,159.8

* During 2011 the Company corrected certain purchase accounting errors within the Climate Solutions and Residential Solutions sectors.

** Accumulated impairment relates to a charge of $2,840.0 million recorded in the fourth quarter of 2008 as a result of the Company’s annual impairment testing.

As a result of the planned divestiture of Hussmann, the Company was required to test Goodwill within the Climate Solutions segment for impairment in the first quarter of 2011, and no impairment charge was required.

Based on year to date operational results, and management turnover within the Residential HVAC reporting unit, the Company updated its fair value assessment of the reporting unit in the third quarter of 2011 and concluded that the fair value of the reporting unit continued to exceed its carrying amount.

Note 5 – Intangible Assets

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

In millions	September 30, 2011	December 31, 2010
Completed technologies/patents	$207.9	$199.4
Customer relationships	1,974.2	1,967.2
Trademarks (finite-lived)	100.5	98.6
Other	71.0	178.2
Total gross finite-lived intangible assets	2,353.6	2,443.4
Accumulated amortization	(578.3)	(571.0)
Total net finite-lived intangible assets	1,775.3	1,872.4
Trademarks (indefinite-lived)	2,611.0	2,611.0
Total	$4,386.3	$4,483.4

Intangible asset amortization expense was $36.2 million and $38.3 million for the three months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, intangible asset amortization expense was $110.0 million and $115.5 million, respectively. Estimated amortization expense on existing intangible assets is approximately $140 million for each of the next five fiscal years.

Note 6 – Debt and Credit Facilities

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

In millions	September 30, 2011	December 31, 2010
Debentures with put feature	$343.6	$343.6
Exchangeable Senior Notes	338.0	328.3
Current maturities of long-term debt	10.7	13.3
Other short-term borrowings	67.7	76.4
Total	$760.0	$761.6

Commercial Paper Program

The Company uses borrowings under its commercial paper program for general corporate purposes. The Company had no amounts outstanding as of September 30, 2011 and December 31, 2010.

Debentures with Put Feature

At September 30, 2011 and December 31, 2010, 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.

On February 15, 2011, holders of these debentures had the option to exercise the put feature on $37.2 million of the outstanding debentures. The holders chose not to exercise the put feature at that date.

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(Unaudited)

Exchangeable Senior Notes Due 2012

In April 2009, the Company issued $345.0 million of 4.5% Exchangeable Senior Notes (the Notes) through its wholly-owned subsidiary, Ingersoll-Rand Global Holding Company Limited (IR-Global). The Notes 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 in April 2012.

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 required the Company to allocate the proceeds between debt and equity at the issuance date, 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 is amortizing the discount into earnings over a three-year period.

During the third quarter of 2011, the sales price condition set forth in the indenture agreement for the Notes continued to be satisfied. As a result, the Notes may be exchangeable at the holders’ option during the fourth quarter 2011. Therefore, the Company classified the equity portion of the Notes as Temporary equity to reflect the amount that could result in cash settlement at the balance sheet date.

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

In millions	September 30, 2011	December 31, 2010
6.000% Senior notes due 2013	$599.9	$599.9
9.500% Senior notes due 2014	655.0	655.0
5.50% Senior notes due 2015	199.8	199.7
4.75% Senior notes due 2015	299.5	299.4
6.875% Senior notes due 2018	749.3	749.2
9.00% Debentures due 2021	125.0	125.0
7.20% Debentures due 2013-2025	97.5	105.0
6.48% Debentures due 2025	149.7	149.7
Other loans and notes	5.3	39.4
Total	$2,881.0	$2,922.3

The fair value of the Company’s debt was $4,156.5 million and $4,131.8 million at September 30, 2011 and December 31, 2010, respectively. The fair value of debt was primarily based upon quoted market values.

Credit Facilities

On May 20, 2011, the Company entered into a 4-year, $1.0 billion revolving credit facility through its wholly-owned subsidiary, IR-Global. This new facility replaced the Company's pre-existing $1.0 billion, 3-year revolving credit facility that was scheduled to mature in June 2011.

At September 30, 2011, the Company’s committed revolving credit facilities totaled $2.0 billion, of which $1.0 billion expires in May 2013 and $1.0 billion expires in May 2015. These lines are unused and provide support for the Company’s commercial paper program as well as for other general corporate purposes.

Note 7 – Financial Instruments

In the normal course of business, the Company 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 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 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. 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 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.

Currency and Commodity Hedging Instruments

The notional amounts of the Company’s currency derivatives were $1,359.0 million and $1,280.4 million at September 30, 2011 and December 31, 2010, respectively. At September 30, 2011 and December 31, 2010, a gain of $3.1 million and $0.3 million, net of tax, respectively, was included in AOCI related to the fair value of the Company’s currency derivatives designated as accounting hedges. The amount expected to be reclassified into earnings over the next twelve months is a gain of $3.1 million. The actual amounts that will be reclassified to 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 September 30, 2011, the maximum term of the Company’s currency derivatives was approximately 12 months.

The Company had no commodity derivatives outstanding as of September 30, 2011 and December 31, 2010. 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.

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 September 30, 2011 and December 31, 2010, $9.4 million and $10.8 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 September 30, 2011 and December 31, 2010, $4.6 million and $5.4 million, respectively, of deferred losses remained

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(Unaudited)

in AOCI related to these interest rate locks. The amount expected to be reclassified into Interest expense over the next twelve months is $1.2 million.

The following table presents the fair values of derivative instruments included within the Condensed Consolidated Balance Sheet as of September 30, 2011 and December 31, 2010:

In millions	Asset derivatives September 30, 2011	Asset derivatives December 31, 2010	Liability derivatives September 30, 2011	Liability derivatives December 31, 2010
Derivatives designated as hedges:				
Currency derivatives	$4.3	$ 1.9	$0.1	$ 1.7
Derivatives not designated as hedges:				
Currency derivatives	4.9	19.6	43.6	0.9
Total derivatives	$9.2	$ 21.5	$43.7	$ 2.6

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.

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 September 30:

In millions	Amount of gain (loss) deferred in AOCI 2011	Amount of gain (loss) deferred in AOCI 2010	Location of gain (loss) reclassified from AOCI and recognized into earnings	Amount of gain (loss) reclassified from AOCI and recognized into earnings 2011	Amount of gain (loss) reclassified from AOCI and recognized into earnings 2010
Currency derivatives	$5.7				