INGERSOLL RAND CO LTD
Form 10-K
March 02, 2009
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

or

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

For the transition period from ____ to____

Commission File No. 001-16831

INGERSOLL-RAND COMPANY LIMITED

(Exact name of registrant as specified in its charter)

Bermuda	**75-2993910**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

Clarendon House

2 Church Street

Hamilton HM 11, Bermuda

(Address of principal executive offices)

Registrant s telephone number, including area code: **(441) 295-2838**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Shares, Par Value $1.00 per Share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES X NO ____

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES ____ NO X

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ]

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer X	Accelerated filer ____
Non-accelerated filer ____ (Do not check if a smaller reporting company)	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 aggregate market value of common stock held by nonaffiliates on June 30, 2008 was approximately $11,920,220,895 based on the closing price of such stock on the New York Stock Exchange.

The number of Class A Common Shares outstanding as of February 20, 2009 was 318,864,140.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s proxy statement to be filed within 120 days of the close of the registrant s fiscal year in connection with the registrant s Annual General Meeting of Shareholders to be held June 3, 2009 are incorporated by reference into Part II and Part III of this Form 10-K.

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Form 10-K

For the Fiscal Year Ended December 31, 2008

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CAUTIONARY STATEMENT FOR FORWARD LOOKING STATEMENTS

Certain statements in this report, other than purely historical information, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words believe, project, expect, anticipate, estimate, forecast, outlook, intend, strategy, plan, may, will be, will continue, will likely result, or the negative thereof or variations thereon or similar terminology generally intended to identify forward-looking statements.

Forward-looking statements may relate to such matters as projections of revenue, margins, expenses, tax provisions, earnings, cash flows, benefit obligations, share repurchases or other financial items; any statements of the plans, strategies and objectives of management for future operations, including those relating to our June 2008 acquisition of Trane Inc.; any statements concerning expected development, performance or market share relating to our products; any statements regarding future economic conditions or performance; any statements regarding pending investigations, claims or disputes, including those relating to the Internal Revenue Service audit of our consolidated subsidiaries tax filings in 2001 and 2002; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. These statements are based on currently available information and our current assumptions, expectations and projections about future events. While we believe that our assumptions, expectations and projections are reasonable in view of the currently available information, you are cautioned not to place undue reliance on our forward-looking statements. These statements are not guarantees of future performance. They are subject to future events, risks and uncertainties many of which are beyond our control as well as potentially inaccurate assumptions, that could cause actual results to differ materially from our expectations and projections.

Factors that might affect our forward-looking statements include, among other things:

- Overall economic and business conditions;
- the demand for our goods and services;
- competitive factors in the industries in which we compete;
- changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations);
- the outcome of litigation and governmental proceedings;
- the effect of income tax audit settlements;
- the ratings on our debt and our ability to repay or refinance our outstanding indebtedness as it matures;
- our ability to operate within the limitations imposed by financing arrangements and to maintain our credit ratings;
- interest rate fluctuations and other changes in borrowing costs;
- other capital market conditions, including availability of funding sources and currency exchange rate fluctuations;
- availability of and fluctuations in the prices of key raw materials;
- economic and political conditions in international markets, including governmental changes and restrictions on the ability to transfer capital across borders;
- the ability to achieve cost savings in connection with our strategic restructuring;
- potential further impairment of our goodwill, indefinite-lived intangible assets and/or our long-lived assets;
- the impact of fluctuations in the price of our Class A common shares;
- changes in U.S. and non-U.S. governmental laws and regulations; and

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- the possible effects on us of future legislation in the U.S. that may limit or eliminate potential U.S. tax benefits resulting from our incorporation in a non-U.S. jurisdiction, such as Bermuda, or deny U.S. government contracts to us based upon our incorporation in such non-U.S. jurisdiction.

Some of the material risks and uncertainties that could cause actual results to differ materially from our expectations and projections are described more fully in Item 1A Risk Factors. You should read that information in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this report and our Consolidated Financial Statements and related notes in Item 8 of this report. We note such information for investors as permitted by the Private Securities Litigation Reform Act of 1995. There also may be other factors that have not been anticipated or that are not described in this report, generally because we do not perceive them to be material, which could cause results to differ materially from our expectations.

Forward-looking statements speak only as of the date they are made, and we do not undertake to update these forward-looking statements. You are advised, however, to review any further disclosures we make on related subjects in our periodic filings with the Securities and Exchange Commission.

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PART I

Item 1. **BUSINESS**

Overview

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

We are dedicated to inspiring progress for our customers, shareholders, employees and communities by achieving:

- *Dramatic Growth*, by focusing on innovative solutions for our customers;
- *Operational Excellence*, by pursuing continuous improvement in all of our operations; and
- *Dual Citizenship*, by bringing together the talents of all Ingersoll Rand people to leverage the capabilities of our global enterprise.

To achieve these goals and to become a more diversified company with strong growth prospects, we transformed our enterprise portfolio by divesting cyclical, low-growth and asset-intensive businesses. In addition, our acquisition strategy has helped deliver more consistent revenue and earnings performance across all phases of the economic cycle. Aside from our portfolio transformation, we continue to focus on increasing our recurring revenue stream, which includes revenues from parts, service, used equipment and rentals. We also intend to continuously improve the efficiencies, capabilities, products and services of our high-potential businesses.

Recent Acquisitions and Divestitures

On June 5, 2008 (the Acquisition Date), we completed our acquisition of 100% of the outstanding common shares of Trane Inc. (Trane). Trane, previously named American Standard Companies Inc., provides systems and services that enhance the quality and comfort of the air in homes and buildings around the world. Trane s systems and services have leading positions in commercial, residential, institutional and industrial markets; a reputation for reliability, high quality and product innovation; and a powerful distribution network. The total cost of the acquisition was approximately $9.6 billion, which was funded by a combination of cash on hand, commercial paper and a 364-day senior unsecured bridge loan facility.

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

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

2001 Reorganization

Our predecessor company, Ingersoll-Rand Company (IR-New Jersey), was organized in 1905 under the laws of the State of New Jersey as a consolidation of Ingersoll-Sergeant Drill Company and the Rand Drill Company, whose businesses were established in the early 1870 s.

We are a successor to IR-New Jersey following a corporate reorganization that became effective on December 31, 2001. We believe that the reorganization has enabled us to realize a variety of financial and strategic benefits, including to:

- help enhance business growth;
- create a more favorable corporate structure for expansion of our current business;
- improve expected cash flow for use in investing in the development of higher-growth product lines and businesses;
- improve expected cash flow for use in reducing the amount of our debt;
- reduce our worldwide effective tax rate;
- enable us to implement our business strategy more effectively; and
- expand our investor base as our shares may become more attractive to non-U.S. investors.

IR-Limited and its subsidiaries continue to conduct the businesses previously conducted by IR-New Jersey and its subsidiaries. The reorganization has been accounted for as a reorganization of entities under common control and accordingly, did not result in any changes to the consolidated amounts of assets, liabilities and shareholders equity.

Business Segments

Our business segments provide products, services and solutions used to increase the efficiency and productivity of both industrial and commercial operations and homes, as well as improve the security, safety, health and comfort of people around the world. We have the following business segments:

Air Conditioning Systems and Services

Our Air Conditioning Systems and Services segment provides heating, ventilation and air conditioning (HVAC) systems that enhance the quality and comfort of the air in homes and buildings around the world. It offers customers a broad range of energy-efficient HVAC systems, dehumidifying and air cleaning products, service and parts support, advanced building controls as well as financing solutions under the Trane and American Standard Heating and Air Conditioning brands. These brands have leading positions in commercial, residential, institutional and industrial markets. Since the Acquisition Date, net revenues for this segment were $4.4 billion.

Climate Control Technologies

Our Climate Control Technologies segment provides equipment and services to manage controlled-temperature environments for food and other perishables throughout the world. Encompassing the transport and stationary refrigeration markets, this segment offers customers a broad range of products and solutions such as refrigerated display merchandisers, beverage coolers, auxiliary power units, walk-in storage coolers and freezers and transport temperature control units. This segment, which had 2008 net revenues of $3.4 billion, includes the market leading brands of Hussmann and Thermo King.

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Industrial Technologies

Our Industrial Technologies segment provides products, services and solutions that enhance energy efficiency, productivity and operations. It offers our global customers a diverse and innovative range of products including compressed air systems, tools, pumps, fluid handling systems, golf and utility vehicles in addition to environmentally friendly micro turbines. This segment, which had 2008 net revenues of $2.9 billion, includes the Club Car and Ingersoll Rand market leading brands.

Security Technologies

Our Security Technologies segment is a leading global provider of products and services that make environments safe, secure and productive. The segment s market-leading solutions include electronic and biometric access control systems and software, locks and locksets, door closers, exit devices, steel doors and frames, portable security devices, decorative hardware, cabinet hardware as well as time, attendance and personnel scheduling systems. These products serve a wide range of markets including the commercial construction and residential housing market, healthcare, retail, maritime and transport industries as well as educational and governmental facilities. This segment, which had 2008 net revenues of $2.5 billion, includes the CISA, LCN, Schlage and Von Duprin brands.

Products

Our principal products by business segment include the following:

Air Conditioning Systems and Services	
Air cleaners	Evaporator coils
Air conditioners	Furnaces
Air exchangers	Heat pumps
Air handlers	Humidifiers
Airside and terminal devices	Package heating and cooling systems
Applied systems	Thermostats/controls
Boilers	Unitary systems

Climate Control Technologies	
Aftermarket parts and service	Auxiliary idle reduction
Bus and rail HVAC systems	Auxiliary temperature management
Coils and condensers	Refrigeration and electrical houses
Containers and gensets	Refrigeration systems
Cryogenic temperature control systems	Surface and air sanitation
Diesel-powered temprature control systems	Vehicle-powered truck refrigeration systems
Display merchandisers	Walk-in coolers and freezers

Industrial Technologies	
Air balancers	Fluid-handling equipment
Air compressors & accessories	Golf vehicles
Air treatment	Lubrication equipment

Air motors
Air and electric tools
Blowers
Diaphragm pumps
Engine-starting systems
Material handling equipment
Microturbines
Piston pumps
Utility vehicles

Security Technologies

Automatic doors	Electrical security products
Biometric access control systems	Electronic access-control systems
Door closers and controls	Exit devices
Door locks, latches and locksets	Portable security products
Doors and door frames (steel)	

These products are sold primarily under our name and under other names including American Standard®, CISA®, Club Car®, Hussmann®, LCN®, Schlage®, Thermo King®, Von Duprin® and Trane®.

Competitive Conditions

Our products are sold in highly competitive markets throughout the world. Due to the diversity of these products and the variety of markets served, we encounter a wide variety of competitors that vary by product line. They include well-established regional or specialized competitors, as well as larger U.S and non-U.S corporations or divisions of larger companies.

The principal methods of competition in these markets relate to price, quality, delivery, service and support, technology and innovation. We believe that we are one of the leading manufacturers in the world of HVAC systems and services, air compression systems, transport temperature control products, refrigerated display merchandisers, refrigeration systems and controls, air tools, and golf and utility vehicles. In addition, we believe we are a leading supplier in U.S. markets for architectural hardware products, mechanical locks and electronic and biometric access-control technologies.

Distribution

Our products are distributed by a number of methods, which we believe are appropriate to the type of product. U.S. sales are made through branch sales offices and through distributors, dealers and large retailers across the country. Non-U.S. sales are made through numerous subsidiary sales and service companies with a supporting chain of distributors throughout the world.

Customers

We have no major customers that accounted for more than 10% of our consolidated net revenues in 2008, 2007 or 2006. No material part of our business is dependent upon a single customer or a small group of customers; therefore, the loss of any one customer would not have a material adverse effect on our operations.

Raw Materials

We manufacture many of the components included in our products, which requires us to employ a wide variety of raw materials. Principal raw materials, such as steel, copper and aluminum, are purchased from a large number of independent sources around the world. In the past, higher prices for some raw materials, particularly steel and non-ferrous metals, have caused pricing pressures in some of our businesses; we have historically been able to pass certain of these cost increases on to customers in the form of price increases.

We believe that available sources of supply will generally be sufficient for the foreseeable future. There have been no raw material shortages which have had a material adverse effect on our businesses. However, significant changes in certain material costs may have an adverse impact on our costs and operating margins. To mitigate this potential impact, we enter into long-term supply contracts in order to manage our exposure to potential supply disruptions.

Working Capital

We manufacture products that usually must be readily available to meet our customer s rapid delivery requirements. Therefore, we maintain an adequate level of working capital to support our business needs

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and our customers requirements. Such working capital requirements are not, however, in the opinion of management, materially different from those experienced by our major competitors. Our sales and payment terms are generally similar to those of our competitors.

Research and Development

We engage in research and development activities in an effort to introduce new products, enhance existing products effectiveness, increase safety, improve ease of use and reliability as well as expand the various applications for which our products may be appropriate. In addition, we continually evaluate developing technologies in areas that we believe will enhance our business for possible investment or acquisition. We anticipate that we will continue to make significant expenditures for research and development activities as we look to maintain and improve our competitive position. Research and development expenditures, including qualifying engineering costs, were $131.6 million in 2008, $128.6 million in 2007 and $126.7 million in 2006.

Patents and Licenses

We own numerous patents and patent applications and are licensed under others. Although in aggregate we consider our patents and licenses to be valuable to our operations, we do not believe that our business is materially dependent on a single patent or license or any group of them. In our opinion, engineering, production skills and experience are more responsible for our market position than our patents and/or licenses.

Operations by Geographic Area

More than 40% of our 2008 net revenues were derived outside the U.S. and we sold products in more than 100 countries. Therefore, the attendant risks of manufacturing or selling in a particular country, such as nationalization and establishment of common markets, would not be expected to have a significant effect on our non-U.S. operations. For a discussion of risks attendant to our non-U.S. operations, see Risk Factors Currency exchange rate and commodity price fluctuations may adversely affect our results, Risk Factors Our global operations subject us to economic risks, in Item 1A and Quantitative and Qualitative Disclosure about Market Risk in Item 7A.

Backlog

Our approximate backlog of orders, believed to be firm, at December 31, 2008 and 2007, were as follows:

Dollar amounts in millions	2008	2007
Air Conditioning Systems and Services	$ 981.8	$ -
Climate Control Technologies	342.4	507.2
Industrial Technologies	367.7	429.8
Security Technologies	188.0	216.5
Total	$ 1,879.9	$ 1,153.5

These backlog figures are based on orders received. While the major portion of our products are built in advance of order and either shipped or assembled from stock, orders for specialized machinery or specific customer application are submitted with extensive lead times and are often subject to revision, deferral, cancellation or termination. We expect to ship substantially the entire backlog at December 31, 2008 during 2009.

Environmental Matters

We continue to be dedicated to an environmental program intended to reduce the utilization and generation of hazardous materials during the manufacturing process as well as to remediate identified environmental concerns. As to the latter, we are currently engaged in site investigations and remediation activities to address environmental cleanup from past operations at current and former manufacturing facilities.

We are sometimes a party to environmental lawsuits and claims and have received notices of potential violations of environmental laws and regulations from the Environmental Protection Agency and similar state authorities. We have been also 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, our involvement is minimal.

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

During 2008, we spent $6.9 million on capital projects for pollution abatement and control, and an additional $15.5 million for environmental remediation expenditures at sites presently or formerly owned or leased by us. As of December 31, 2008, we have recorded reserves for environmental matters of $100.9 million. We believe that these expenditures and accrual levels will continue and may increase over time. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

For a further discussion of our potential environmental liabilities, see also Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, Environmental and Asbestos Matters and also Note 22 to the consolidated financial statements.

Asbestos Matters

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

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

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

resolution of malignancy claims, particularly mesothelioma claims, filed against us. With the aid of an outside expert, we have estimated our total liability for pending and unasserted future asbestos-related claims through 2053 at $755 million.

As a result, we recorded a non-cash charge to earnings of discontinued operations of $449 million ($277 million after-tax) which is the difference between the amount by which we increased our total estimated liability for pending and projected future asbestos-related claims and the amount that we expect to recover from insurers with respect to that increased liability.

In connection with our acquisition of Trane, we retained an outside expert to assist in calculating Trane s asbestos-related valuations of current and future liabilities. As required by Statement of Financial Accounting Standards No. 141, Business Combinations, we are required to record the assumed asbestos obligations and associated insurance-related assets at their fair value at the Acquisition Date. We estimated that the assumed asbestos obligation and associated insurance-related assets at the Acquisition Date were $494 million and $249 million, respectively. These amounts were estimated based on certain assumptions and factors consistent with those described above.

For a further discussion of asbestos matters, see also Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, Environmental and Asbestos Matters and also Note 22 to the consolidated financial statements.

Employees

As a result of the acquisition of Trane in the second quarter of 2008, we increased our workforce by approximately 30,000 people. As of December 31, 2008, we employed approximately 60,000 people throughout the world.

Available Information

We file annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934. The public may read and copy any materials filed with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The public can obtain any documents that are filed by us at http://www.sec.gov.

In addition, this Annual Report on Form 10-K, as well as our quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to all of the foregoing reports, are made available free of charge on our Internet website (http://www.ingersollrand.com) as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The Board of Directors of the Company has also adopted and posted in the Investor Relations section of its website our Corporate Governance Guidelines and charters for each of the Board s standing committees. A copy of the above filings will also be provided free of charge upon written request to us.

Certifications

New York Stock Exchange Annual Chief Executive Officer Certification

The Company s Chief Executive Officer submitted to the New York Stock Exchange the Annual CEO Certification as the Company s compliance with the New York Stock Exchange s corporate governance listing standards required by

Section 303A.12 of the New York Stock Exchange s listing standards.

Sarbanes-Oxley Act Section 302 Certification

The certifications of the Chief Executive Officer and Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 have been filed as exhibits to this Annual Report on Form 10-K.

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Item 1A. RISK FACTORS

The following are certain risk factors that could affect our business, financial condition, results of operations, and cash flows. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. Before you invest in our publicly traded securities, you should know that making such an investment involves some risks, including the risks described below. If any of the risks actually occur, our business, financial condition or results of operations could be negatively affected. In that case, the trading price of our Class A common shares could decline, and you may lose all or part of your investment.

Risks Relating to Our Businesses

Macroeconomic conditions, negative conditions in the financial, insurance and credit markets and changes in our credit ratings subject us to a number of risks.

The world financial markets have been experiencing extreme disruption in recent months, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Governments have taken unprecedented actions intended to address extreme market conditions that include severely restricted credit and declines in asset values. While these conditions have not currently impaired our ability to access credit markets, insurance and finance our operations, there can be no assurance that there will not be further deterioration in the world financial markets, continued negative conditions in the global credit markets or a loss of confidence in the major economies, any of which may make it more difficult for us to obtain financing for our operations or increase the cost of obtaining financing as well as access insurance to manage risk.

In addition, our investment-grade credit ratings currently afford us lower borrowing rates on commercial paper, revolving credit agreements and debt offerings. Increased debt levels and/or decreased earnings could result in downgrades in our credit ratings, which, in turn, could impede access to the credit markets, reduce the total amount of commercial paper we could issue, raise our commercial paper borrowing costs and/or raise our long-term debt borrowing rates.

Finally, many of our customers rely on credit financing in order to purchase our products. If the tightening of credit in financial markets continues to adversely affect the ability of our customers to obtain financing for significant purchases, this could result in a further decrease in or cancellation of orders for our products and services. Our global business is also adversely affected by decreases in the general level of economic activity and in business and consumer spending.

We may not realize the expected financial benefits from the acquisition of Trane Inc. and from our announced restructuring actions and this could have a material adverse effect on our business.

On June 5, 2008, we completed our acquisition of Trane. There are potential risks associated with growing our business through acquisitions such as our acquisition of Trane, including the failure to successfully integrate and realize the expected benefits of an acquisition. For example, with any acquisition and subsequent integration, there is the possibility that:

the business culture of the acquired business may not match well with our culture;

technological and product synergies, economies of scale and cost reductions may not occur as expected;

management may be distracted from overseeing existing operations by the need to integrate acquired businesses;

we may be unable to maintain or increase the revenue growth rate of the acquired business;

we may acquire or assume unexpected liabilities;

unforeseen difficulties may arise in integrating operations and systems;

we may fail to retain and assimilate employees of the acquired business; and

we may experience problems in retaining customers and integrating customer bases.

Additionally, we previously announced restructuring actions to deal with slowing end market demand and we must implement these restructuring actions during this integration period. If we are unable to integrate our businesses successfully or implement these restructuring actions effectively, then we may fail to realize the anticipated synergies and growth opportunities or achieve the cost savings and revenue growth we anticipated from these actions and this could have a material adverse effect on our business.

We are relying on an indemnification agreement with respect to any potential liability arising from a European Commission Investigation into possible infringement of European Union competition law by Trane and its subsidiaries. If we were unable to rely on the indemnification agreement for any reason, any potential liability arising from the European Commission Investigation could have a material adverse effect on our financial condition and results of operations.

In connection with Trane s spinoff of the Vehicle Control Systems business into a new publicly traded company called WABCO Holdings Inc. (WABCO) in July 31, 2007, Trane entered into an Indemnification and Cooperation Agreement (Indemnification Agreement) with, among others, American Standard Europe BVBA (renamed WABCO Europe BVBA) (WABCO Europe), which became a subsidiary of WABCO following the spinoff. Pursuant to the Indemnification Agreement, WABCO Europe has agreed to indemnify Trane and its subsidiaries and their respective affiliates against any fines related to the European Commission Investigation. For a further discussion of European Commission Investigation, see Legal Proceedings. If the European Commission were to impose the maximum fine allowable pursuant to applicable guidelines, the total liability to the Company could be approximately $1.1 billion based on Trane s worldwide revenue in 2007, subject to a probable reduction for leniency of at least 20 percent (provided WABCO Europe, as the leniency applicant, fulfilled all conditions set forth in the European Commission s leniency notice). WABCO has stated in its Form 10-K for the fiscal year ended December 31, 2008 that its ability to satisfy its obligations under the Indemnification Agreement is contingent on its funding capability at the time of the fine, which could be affected by, among other things, its ability to access its then existing credit facilities, its ability to obtain alternative sources of financing, its ability to obtain some payment relief from the European Commission or its ability to obtain a suspension of the payment obligation from the European Court of First Instance. If WABCO Europe were unable to satisfy its obligations under the Indemnification Agreement or if we were unable to rely on the Indemnification Agreement for any reason, any potential liability arising from the European Commission Investigation could have a material adverse effect on our financial condition and results of operations.

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Our global operations subject us to economic risks.

Our global operations are dependent upon products manufactured, purchased and sold in the U.S. and internationally, including China, Brazil, Africa and Eastern Europe. These activities are subject to risks that are inherent in operating globally, including the following:

- countries could change regulations or impose currency restrictions and other restraints;
- in some countries, there is a risk that the government may expropriate assets;
- some countries impose burdensome tariffs and quotas;
- national and international conflict, including terrorist acts, could significantly impact our financial condition and results of operations; and
- economic downturns, political instability and war or civil disturbances may disrupt production and distribution logistics or limit sales in individual markets.

Currency exchange rate and commodity price fluctuations may adversely affect our results.

We are exposed to a variety of market risks, including the effects of changes in non-U.S. currency exchange rates, commodity prices and interest rates. See Part II Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

More than 40% of our 2008 net revenues were derived outside the U.S., and we expect sales to non-U.S. customers to continue to represent a significant portion of our consolidated net revenues. Although we enter into currency exchange contracts to reduce our risk related to currency exchange fluctuations, changes in the relative values of currencies occur from time to time and may, in some instances, have a significant effect on our results of operations. Because we do not hedge against all of our currency exposure, our business will continue to be susceptible to currency fluctuations.

Furthermore, the reporting currency for our financial statements is the U.S. dollar. We have assets, liabilities, revenues and expenses denominated in currencies other than the U.S. dollar. To prepare our consolidated financial statements, we must translate those assets, liabilities, revenues and expenses into U.S. dollars at the applicable exchange rates. Consequently, increases and decreases in the value of the U.S. dollar versus other currencies will affect the amount of these items in our consolidated financial statements, even if their value has not changed in their original currency.

We are also a large buyer of steel and non-ferrous metals, as well as other commodities required for the manufacture of our products. Volatility in the prices of these commodities could increase the costs of our products and services. We may not be able to pass on these costs to our customers and this could have a material adverse effect on our results of operations and cash flows. On a limited basis, we purchase commodity derivatives which reduce the volatility of the commodity prices for supplier contracts where fixed pricing is not available.

Significant shortages in the raw materials we use in our businesses and higher energy prices could increase our operating costs.

We rely on suppliers to secure raw materials, particularly steel and non-ferrous metals, required for the manufacture of our products. A disruption in deliveries from our suppliers or decreased availability of raw materials or commodities could have an adverse effect on our ability to meet our commitments to customers or increase our operating costs. We believe that available sources of supply will generally be sufficient for our needs for the foreseeable future. Nonetheless, the unavailability of some raw materials may have an adverse effect on our results of operations or financial condition.

Additionally, we are exposed to large fluctuations for the price of petroleum-based fuel due to the instability of current market prices. Higher energy costs increase our operating costs and the cost of shipping our products to customers around the world. Consequently, sharp price increases, the imposition of taxes or an interruption of supply, could cause us to lose the ability to effectively manage the risk of rising fuel prices and may have an adverse effect on our results of operations or financial condition.

Changes in weather patterns and seasonal fluctuations may adversely affect certain segments of the Company s business and impact overall results of operations.

Demand for certain segments of the Company s products and services is influenced by weather conditions. For instance, Trane s sales have historically tended to be seasonally higher in the second and third quarters of the year because, in the U.S. and other northern hemisphere markets, summer is the peak season for sales of air conditioning systems and services. Additionally, while there is demand for Trane s products and services throughout the year, a significant percentage of total sales are related to U.S. residential and commercial construction activity, which is generally higher in the second and third quarters of the year. Therefore, results of any quarterly period may not be indicative of expected results for a full year and unexpected cool trends or unseasonably warm trends during the summer season could negatively or positively affect certain segments of the Company s business and impact overall results of operations.

We face continuing risks relating to compliance with the Foreign Corrupt Practices Act (FCPA)

On November 10, 2004, the Securities and Exchange Commission (SEC) issued an Order directing that a number of public companies, including us, provide information relating to their participation in certain transactions under the United Nations Oil for Food Program. Upon receipt of the Order, we undertook a thorough review of our participation in the Oil for Food Program and provided the SEC with information responsive to its investigation of our participation in the program. On October 31, 2007, we announced that we had reached settlements with the SEC and the Department of Justice (DOJ) relating to certain payments made by our foreign subsidiaries in 2000-2003 in connection with the Oil for Food Program. Pursuant to the settlements with the SEC and DOJ, we have, among other things, (i) consented to the entry of a civil injunction in the SEC action, (ii) entered into a three-year deferred prosecution agreement (DPA) with the DOJ, and (iii) agreed to implement improvements to our compliance program designed to enhance detection and prevention of violations of the FCPA and other applicable anti-corruption laws. If the DOJ determines, in its sole discretion, that we have committed a federal crime or have otherwise breached the DPA during its three-year term, we may be subject to prosecution for any federal criminal violation of which the DOJ has knowledge, including, without limitation, violations of the FCPA in connection with the Oil for Food Program. Breaches of the settlements with SEC and DOJ may also subject us to, among other things, further enforcement actions by the SEC or the DOJ, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects and the market value of our stock. For a further discussion of the settlements with the SEC and DOJ, see Legal Proceedings.

Furthermore, we have reported to the DOJ and SEC that we are currently investigating certain matters involving Trane, including one relating to the Oil for Food Program, and which raise potential issues under the FCPA and other applicable anti-corruption laws. We have indicated to the SEC and DOJ that we are conducting a thorough investigation of these matters and that we would report back to them with our findings. The investigation of these matters began in earnest promptly after our acquisition of Trane

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in June 2008 and is currently in progress. Previously, we had reported to the SEC and DOJ potential FCPA issues relating to one of our businesses in China, and we have reported back to them and shared with them our audit report, which indicated no FCPA violations. These matters (and other matters which may arise or of which we become aware in the future) may be deemed to violate the FCPA and other applicable anti-corruption laws. Such determinations could subject us to, among other things, further enforcement actions by the SEC or the DOJ (if, for example, the DOJ deems us to have violated the DPA), securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects and the market value of our stock.

Material adverse legal judgments, fines, penalties or settlements could adversely affect our financial health.

We estimate that our available cash and our cash flow from operations will be adequate to fund our operations for the foreseeable future. In making this estimate, we have not assumed the need to make any material payments in connection with any pending litigation or investigations. As required by generally accepted accounting principles in the United States, we establish reserves based on our assessment of contingencies. Subsequent developments in legal proceedings, including current or future asbestos-related litigation, may affect our assessment and estimates of the loss contingency recorded as a reserve and we may be required to make additional material payments, which could result in an adverse effect on our results of operations.

Such an outcome could have important consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate;
- restrict our ability to exploit business opportunities; and
- make it more difficult for us to satisfy our payment obligations with respect to our outstanding indebtedness.

If the distribution of WABCO s shares by Trane on July 31, 2007 were to fail to qualify as tax-free for U.S. federal income tax purposes under Section 355 of the Internal Revenue Code (the Code), then Trane may be required to pay U.S. federal income taxes as well as Trane s shareholders who received WABCO common stock in the distribution.

On July 31, 2007, Trane (then known as American Standard Companies Inc.) completed the spinoff of its vehicle control systems business into a new publicly traded company named WABCO. At the time, Trane received a private letter ruling from the Internal Revenue Service (IRS) substantially to the effect that the distribution qualified as tax-free for U.S. federal income tax purposes under Section 355 of the Code. In addition, Trane received an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, tax counsel to Trane, substantially to the effect that the distribution will qualify as tax-free to Trane, WABCO and Trane shareholders under Section 355 and related provisions of the Code. The ruling and opinion were based on, among other things, certain assumptions as well as on the accuracy of certain factual representations and statements made by WABCO and Trane. In rendering its ruling, the IRS also relied on certain covenants that Trane and WABCO entered into, including the adherence to certain restrictions on WABCO s and Trane s future actions.

In connection with our acquisition of Trane in June 2008, we received an opinion of Simpson Thacher & Bartlett LLP, tax counsel to us, substantially to the effect that the distribution should continue to qualify

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as tax-free to Trane, WABCO and Trane shareholders under Section 355 and related provisions of the Code. Notwithstanding receipt by Trane and us of the private letter ruling as well as the opinions of counsel, there can be no assurance that the IRS will not later assert that the distribution should be treated as a taxable transaction.

If the distribution fails to qualify for tax-free treatment, then Trane would recognize a gain in an amount equal to the excess of (i) the fair market value of WABCO s common stock distributed to the Trane shareholders over (ii) Trane s tax basis in such common stock. Under the terms of the Tax Sharing Agreement, in the event the distribution were to fail to qualify as a tax-free reorganization and such failure was not the result of actions taken after the distribution by Trane or any of its subsidiaries or shareholders, WABCO would be responsible for all taxes imposed on Trane as a result thereof. In addition, each Trane shareholder who received WABCO common stock in the distribution generally would be treated as having received a taxable distribution in an amount equal to the fair market value of WABCO s common stock received (including any fractional share sold on behalf of the shareholder), which would be taxable as a dividend to the extent of the shareholder s ratable share of Trane s current and accumulated earnings and profits at the time (as increased to reflect any current income including any gain recognized by Trane on the taxable distribution). The balance, if any, of the distribution would be treated as a nontaxable return of capital to the extent of the Trane shareholder s tax basis in its Trane stock, with any remaining amount being taxed as capital gain.

Risks Relating to Our Reorganization as a Bermuda Company

The reorganization exposed us and our shareholders to the risks described below. In addition, we cannot be assured that all of the anticipated benefits of the reorganization will be realized.

Changes in tax laws, changes in our status under U.S. or other tax laws or adverse determinations by taxing authorities could increase our tax burden or otherwise affect our financial condition or operating results, as well as subject our shareholders to additional taxes.

The realization of any tax benefit related to our reorganization could be impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the IRS or any other tax authority. From time to time, proposals have been made and/or legislation has been introduced to change the U.S. tax law that if enacted could increase our tax burden and could have a material adverse impact on our financial condition and results of operations. For instance, recent legislative proposals would broaden the circumstances under which we would be considered a U.S. resident, which would significantly diminish the realization of any tax benefit related to our reorganization. Other legislative proposals could override certain tax treaties and limit the treaty benefits on certain payments by our U.S. subsidiaries to our non-U.S. affiliates, which would adversely affect our effective tax rate. We cannot predict the outcome of any specific legislation. While we are currently monitoring these proposals and are investigating all options, we could still be subject to increased U.S. taxation on a going forward basis no matter what action we undertake if certain legislative proposals are enacted and/or certain tax treaties are amended.

While our U.S. operations are subject to U.S. tax, we believe that a significant portion of our non-U.S. operations are generally not subject to U.S. tax other than withholding taxes. Our conclusions are based on, among other things, our determination that we, and a significant portion of our foreign subsidiaries, are not currently controlled foreign corporation s (CFC) within the meaning of the U.S. tax laws, although the IRS or a court may not concur with our conclusions. A non-U.S. corporation, such as us, will constitute a CFC for U.S. federal income tax purposes if certain ownership criteria are met. If the IRS or a court determined that we (or any of our non-U.S. subsidiaries) were a CFC, then each of our

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U.S. shareholders who own (directly, indirectly, or constructively) 10% or more of the total combined voting power of all classes of our stock (or the stock of any of our non-U.S. subsidiaries) on the last day of the applicable taxable year (a 10% U.S. Voting Shareholder) would be required to include in gross income for U.S. federal income tax purposes its pro rata share of our subpart F and other similar types of income (and the subpart F and other similar types of income of any of our subsidiaries determined to be a CFC) for the period during which we (and our non-U.S. subsidiaries) were a CFC. In addition, gain on the sale of our shares realized by such a shareholder may be treated as ordinary income to the extent of the shareholder's proportionate share of our and our CFC subsidiaries' undistributed earnings and profits accumulated during the shareholder's holding period of the shares while we (or any of our non-U.S. subsidiaries) are a CFC. Treatment of us or any of our non-U.S. subsidiaries as a CFC could have a material adverse impact on our financial condition and results of operations.

On July 20, 2007, we, and our consolidated subsidiaries, received a notice from the IRS containing proposed adjustments to our consolidated subsidiaries tax filings in connection with an audit of the 2001 and 2002 tax years. The IRS did not contest the validity of our reincorporation in Bermuda. The most significant adjustments proposed by the IRS involve treating the entire intercompany debt incurred in connection with our reincorporation in Bermuda as equity. As a result of this recharacterization, the IRS has disallowed the deduction of interest paid on the debt and imposed dividend withholding taxes on the payments denominated as interest. Proposed adjustments on this issue, if upheld in their entirety, would result in additional taxes with respect to the 2002 tax year of approximately $190 million plus interest and would require us to record additional charges associated with this matter. For a further discussion of the IRS audit, see Legal Proceedings and Note 19 to the consolidated financial statements.

We strongly disagree with the view of the IRS and are vigorously contesting these proposed adjustments. Although the outcome of this matter cannot be predicted with certainty, based upon an analysis of the strength of our position, we believe that we have adequately reserved for this matter. At this time, the IRS has not yet begun their examination of our consolidated subsidiaries tax filings for years subsequent to the 2002 tax year. We believe it likely, if the above adjustments or a portion of such adjustments by the IRS are ultimately sustained, that these adjustments will also affect subsequent tax years.

As noted above, the IRS did not contest the validity of our reincorporation in Bermuda in the above-mentioned notice. We believe that neither we nor our consolidated subsidiary IR-New Jersey will incur significant U.S. federal income or withholding taxes as a result of the transfer of the shares of our subsidiaries that occurred as part of the reorganization. However, we cannot give any assurances that the IRS will agree with our determination.

The inability to realize any anticipated tax benefits related to our reorganization, discussed above in this section Risks Relating to our Reorganization as a Bermuda Company , could have a material adverse impact on our financial condition and results of operations.

Legislation regarding U.S. companies which reincorporate or have reincorporated outside the U.S. could adversely affect us and our subsidiaries.

The U.S. federal government and various states and municipalities have enacted or may enact legislation intended to deny government contracts to U.S. companies that reincorporate outside of the U.S. or have reincorporated outside of the U.S.

For instance, the Homeland Security Act of 2002, as amended, includes a provision that prohibits inverted domestic corporations and their subsidiaries from entering into contracts with the Department

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of Homeland Security. In addition, the State of California adopted legislation intended to limit the eligibility of certain non-U.S. chartered companies to participate in certain state contracts. More recently, the 2008 Consolidated Appropriations Act, which became effective in December 2007, prohibits any federal government agency from using funds appropriated by Congress for fiscal year 2008 to pay an inverted domestic corporation or any of its subsidiaries for work performed or products provided under certain federal contracts (Affected Contracts). Although the amount of monies already paid to us or to be paid to us under the Affected Contracts is not material to the Company, we cannot provide any assurance that the impact of future actions taken by the government in this area will not be materially adverse to our operations.

Bermuda law differs from the laws in effect in the United States and may afford less protection to holders of our securities.

We are organized under the laws of Bermuda. It may not be possible to enforce court judgments in Bermuda that are obtained in the U.S. against us or our directors or officers in Bermuda based on the civil liability provisions of the U.S. federal or state securities laws. We have been advised that the U.S. and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Bermuda.

In addition, as a result of Bermuda law, it would be difficult for a holder of our securities to effect service of process within the United States. However, we have irrevocably agreed that we may be served with process with respect to actions based on offers and sales of securities made in the United States by having Ingersoll-Rand Company, 155 Chestnut Ridge Road, Montvale, New Jersey 07645, be our U.S. agent appointed for that purpose.

Bermuda companies are governed by the Companies Act 1981 of Bermuda, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions, shareholder lawsuits and indemnification. Under Bermuda law, the duties of directors and officers of a Bermuda company are generally owed to the company only. Shareholders of Bermuda companies do not generally have rights to take action against directors or officers of the company, and may only do so in limited circumstances. Under Bermuda law, a company may also agree to indemnify directors and officers for any personal liability, not involving fraud or dishonesty, incurred in relation to the company. Thus, our shareholders may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U.S.

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Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

As of December 31, 2008, we owned or leased a total of approximately 22.1 million square feet of space worldwide. Manufacturing and assembly operations are conducted in 47 plants in the United States; 28 plants in Europe; 18 plants in Asia; 10 plants in Latin America; and 1 plant in Canada. We also maintain various warehouses, offices and repair centers throughout the world.

Substantially all plant facilities are owned by us with the remainder under long-term lease arrangements. We believe that our plants have been well maintained, are generally in good condition and are suitable for the conduct of our business. At December 31, 2008, we were productively utilizing the majority of the space in our facilities.

The locations by segment of our major manufacturing facilities at December 31, 2008 were as follows:

	Air Conditioning Systems and Services	
Americas	Europe, Middle East, Africa	Asia Pacific
Parana, Brazil	Charmes, France	Guang Dong, China
Monterrey, Mexico	Golbey, France	Taicang, China
Fort Smith, Arkansas		Taipei, Taiwan
Pueblo, Colorado		
Lynn Haven, Florida		
Macon, Georgia		
Vidalia, Georgia		
Lexington, Kentucky		
Trenton, New Jersey		
Columbia, South Carolina		
Clarksville, Tennesse		
Tyler, Texas		
La Crosse, Wisconsin		

	Climate Control Technologies	
Americas	Europe, Middle East, Africa	Asia Pacific
Londrina, Brazil	Kolin, Czech Republic	Luoyang, China
Monterrey, Mexico	Galway, Ireland	Shenzen, China
Mexico City, Mexico	Barcelona, Spain	Suzhou, China
Arecibo, Puerto Rico	Pamplona, Spain	Tauranga, New Zealand
Chino, California	Peralta, Spain	
Louisville, Georgia		
Suwanee, Georgia		
Minneapolis, Minnesota		
Bridgeton, Missouri		
Hastings, Nebraska		

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Industrial Technologies

Americas	Europe, Middle East, Africa	Asia Pacific
Montreal, Canada	Douai, France	Changzhou, China
Augusta, Georgia	Wasquehal, France	Guanbxi, China
Campbellsville, Kentucky	Oberhausen, Germany	Nanjing, China
Madison Heights, Michigan	Fogliano Redipuglia, Italy	Shanghai, China
Rochester Hills, Michigan	Vignate, Italy	Ahmadabad, India
Mocksville, North Carolina	Pavlovo, Russia	New Delhi, India
Athens, Pennsylvania		
West Chester, Pennsylvania		
Seattle, Washington		

Security Technologies

Americas	Europe, Middle East, Africa	Asia Pacific
Ensenada, Mexico	Feuquieres, France	Shanghai, China
Tecate, Mexico	Renchen, Germany	Auckland, New Zealand
Tijuana, Mexico	Monsampolo, Italy	
San Jose, California	Duzce, Turkey	
Security, Colorado		
Princeton, Illinois		
Indianapolis, Indiana		
Cincinnati, Ohio		
Caracas, Venezuela		

Item 3. **LEGAL PROCEEDINGS**

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

Oil for Food Program and Foreign Corrupt Practices Act (FCPA) matters

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

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Company had conducted its own complete investigation of the conduct at issue, promptly and thoroughly reported its findings to them, and took prompt remedial measures.

In a related matter, on July 10, 2007, representatives of the Italian Guardia di Finanza (Financial Police) requested documents from Ingersoll-Rand Italiana S.p.A pertaining to certain Oil for Food transactions undertaken by that subsidiary of the Company which resulted in charges being filed against that subsidiary. Such transactions had previously been reported to the SEC and DOJ. At a December 12, 2008 hearing, all charges against the subsidiary were dismissed.

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

The European Commission Investigation

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

In 2006, the European Commission adopted new fining guidelines (2006 Guidelines) and stated its intention to apply these guidelines in all cases in which a Statement of Objections is issued after September 2006. In applying the 2006 Guidelines, the Commission retains considerable discretion in calculating the fine although the European Union regulations provide for a cap on the maximum fine equal to ten percent of Trane s worldwide revenue attributable to all of its products for the fiscal year prior to the year in which the fine is imposed. If the maximum fine is levied in 2009, the total liability could be approximately $1.1 billion based on Trane s last full fiscal year of worldwide revenue, subject

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to a probable reduction for leniency of at least 20 percent provided WABCO Europe, as the leniency applicant, fulfilled all conditions set forth in the European Commission s leniency notice. WABCO has stated in its Form 10-K for the fiscal year ended December 31, 2008 that its ability to satisfy its obligations under the Indemnification Agreement is contingent on its funding capability at the time of the fine, which could be affected by, among other things, its ability to access its then existing credit facilities, its ability to obtain alternative sources of financing, its ability to obtain some payment relief from the European Commission or its ability to obtain a suspension of the payment obligation from the European Court of First Instance.

Tax Related Matters

On July 20, 2007, the Company and its consolidated subsidiaries received a notice from the IRS containing proposed adjustments to the Company s tax filings in connection with an audit of the 2001 and 2002 tax years. The IRS did not contest the validity of the Company s reincorporation in Bermuda. The most significant adjustments proposed by the IRS involve treating the entire intercompany debt incurred in connection with the Company s reincorporation in Bermuda as equity. As a result of this recharacterization, the IRS has disallowed the deduction of interest paid on the debt and imposed dividend withholding taxes on the payments denominated as interest. These adjustments proposed by the IRS, if upheld in their entirety, would result in additional taxes with respect to 2002 of approximately $190 million plus interest, and would require the Company to record additional charges associated with this matter. At this time, the IRS has not yet begun their examination of the Company s tax filings for years subsequent to 2002. However, if these adjustments or a portion of these adjustments proposed by the IRS are ultimately sustained, it is likely to also affect subsequent tax years.

The Company strongly disagrees with the view of the IRS and filed a protest with the IRS in the third quarter of 2007. The Company has and intends to continue to vigorously contest these proposed adjustments. The Company, in consultation with its outside advisors, carefully considered many factors in determining the terms of the intercompany debt, including the obligor s ability to service the debt and the availability of equivalent financing from unrelated parties, two factors prominently cited by the IRS in denying debt treatment. The Company believes that its characterization of that obligation as debt for tax purposes was supported by the relevant facts and legal authorities at the time of its creation. The subsequent financial results of the relevant companies, including the actual cash flow generated by operations and the production of significant additional cash flow from dispositions have confirmed the ability to service this debt. Although the outcome of this matter cannot be predicted with certainty, based upon an analysis of the strength of its position, the Company believes that it is adequately reserved for this matter. As the Company moves forward to resolve this matter with the IRS, it is reasonably possible that the reserves established may be adjusted within the next 12 months. However, the Company does not expect that the ultimate resolution will have a material adverse impact on its future results of operations or financial position. For a further discussion of tax matters, see Note 19 to the consolidated financial statements.

Asbestos Related Matters

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

See also the discussion under Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, Environmental and Asbestos Matters and also Note 22 to the consolidated financial statements.

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Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company s security holders during the last quarter of its fiscal year ended December 31, 2008.

Executive Officers of the Registrant

Pursuant to the General Instruction G(3) of Form 10-K, the following list of executive officers of the Company as of February 25, 2008 is included as an unnumbered item in Part I of this report in lieu of being included in the Company's proxy Statement for its 2008 Annual General Meeting of Shareholders.

Name and Age	Date of Service as an Executive Officer	Principal Occupation and Other Information for Past Five Years
Herbert L. Henkel (60)	4/5/1999	Chairman of Board and Chief Executive Officer (since October 1999)
Michael W. Lamach (45)	2/16/2004	President and Chief Operating Officer (since February 2009); Senior Vice President and President, Trane Commercial (2008-2009); Senior Vice President and President, Security Technologies (2004-2008)
Steven R. Shawley (56)	8/1/2005	Senior Vice President and Chief Financial Officer (since June 2008); Senior Vice President and President, Climate Control Technologies (2005-2008); President Climate Control Americas (2003-2005)
Marcia J. Avedon (47)	2/7/2007	Senior Vice President, Human Resources and Communication (since February 2007); Merck & Co., Inc., Senior Vice President, Human Resources (2003-2006)
James R. Bolch (51)	10/16/2005	Senior Vice President and President, Industrial Technologies Sector (since October 2005); Schindler Elevator Corporation, Executive Vice President, Service Business (2004-2005)
William B. Gauld (55)	10/2/2006	Senior Vice President, Enterprise Services (since October 2006); Principal, The W Group (2005-2006); Pearson, plc, Chief Information Officer (2001-2005)
Steven B. Hochhauser (47)	6/16/2008	President, Security Technologies (since June 2008); Johns Manville, Chairman, President and Chief Executive Officer (2004-2007) and Chief Operating Officer (2002-2004)
Patricia Nachtigal (62)	11/2/1988	Director (since January 1, 2002); Senior Vice President and General Counsel (since November 1988)
David R. Pannier (58)	6/5/2008	President, Trane Residential (since June 2008); Trane Inc., President, Trane Residential (2002-2008)
Didier Teirlinck (52)	6/4/2008	President, Climate Control Technologies (since June 2008); President, Climate Control Europe (2005-2008); President, Volvo Equipment (2000-2005)
Richard J. Weller (52)	9/8/2008	Vice President and Controller (since September 2008); Vice President, Finance (June-September 2008); Vice President, Finance, Security Technologies Sector (2005-2008); Textron Inc., Vice President, Finance, Shared Services (2002-2005)

No family relationship exists between any of the above-listed executive officers of the Company. All officers are elected to hold office for one year or until their successors are elected and qualified.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Information regarding the principal market for our common shares and related shareholder matters is as follows:

Our Class A common shares are traded on the New York Stock Exchange under the symbol IR. As of February 20, 2009, the approximate number of record holders of Class A common shares was 7,102. The high and low sales price per share and the dividend paid per share for the following periods were as follows:

	Common shares		
2008	High	Low	Dividend
First quarter	$ 46.57	$ 34.46	$ 0.18
Second quarter	46.84	36.54	0.18
Third quarter	41.14	29.18	0.18
Fourth quarter	30.60	11.75	0.18
2007			
First quarter	$ 45.62	$ 38.25	$ 0.18
Second quarter	56.63	43.39	0.18
Third quarter	56.66	44.52	0.18
Fourth quarter	55.94	42.94	0.18

The Bank of New York Mellon (BNY Mellon Shareowner Services, P.O. Box 358015, New York, NY 15252-8015, (800) 507-9357) is our transfer agent, registrar and dividend reinvestment agent.

Future dividends on our Class A common shares, if any, will be at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant, as well as our ability to pay dividends in compliance with the Bermuda Companies Act. This Act regulates the payment of dividends and the making of distributions from contributed surplus. We may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that: (i) we are, or would be after the payment, unable to pay our liabilities as they become due; or (ii) the realizable value of our assets would thereby be less than the aggregate of our liabilities and issued share capital and share premium accounts.

Information regarding equity compensation plans required to be disclosed pursuant to this Item is incorporated by reference from our definite Proxy Statement for the Annual General Meeting of Shareholders.

Shares of IR-Limited owned by a subsidiary are treated as treasury stock and are recorded at cost on the balance sheet. During 2008, we issued 45.4 million IR-Limited Class A common shares to fund the equity portion of the consideration paid for the Trane acquisition. During 2007, we repurchased 39.7 million Class A common shares at a cost $1,999.9 million under our existing $4 billion share repurchase program. During 2006, we completed our prior $2 billion share repurchase program by repurchasing 27.7 million Class A common shares at a cost of $1,096.3 million.

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Total share repurchases for the year ended December 31, 2008 are as follows:

Period	Total number of shares purchased (000 s)	Average price paid per share	Total number of shares purchased as part of the publicly announced program (000 s)	Approximate dollar value of shares still available to be purchased under the program ($000 s)
01/01/2008 - 03/31/2008	-	-	-	$ 2,000,100
04/01/2008 - 06/30/2008	45.2	43.83	45.2	1,998,120
07/01/2008 - 09/30/2008	-	-	-	1,998,120
10/01/2008 - 12/31/2008	-	-	-	1,998,120
Total	45.2		45.2	

Performance Graph

The following graph compares the cumulative total shareholder return on our Class A common shares with the cumulative total return on (i) the Standard & Poor s 500 Stock Index, (ii) the Standard & Poor s 500 Industrial Machinery Index, and (iii) the Standard & Poor s 500 Industrial Index for the five years ended December 31, 2008. The graph assumes an investment of $100 in our Class A common shares, the Standard & Poor s 500 Stock Index, the Standard & Poor s 500 Industrial Machinery Index, and the Standard & Poor s 500 Industrial Index on December 31, 2003 and assumes the reinvestment of dividends.

We are including a new index, the Standard & Poor s 500 Industrial Index, in the graph this year because we have significantly changed our business portfolio over the past three years. During this period, we have divested heavy machinery and construction-related businesses, which focused on original equipment revenues and were more affected by cyclical market behavior. With the acquisition of Trane, our businesses are more focused on replacement and recurring revenue markets. Consequently, while we are a member of both the Standard & Poor s 500 Industrial Machinery Index and the Standard & Poor s 500 Industrial Index, we believe that a comparison of our performance to the Standard & Poor s 500 Industrial Index is a more appropriate measure.

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Item 6. SELECTED FINANCIAL DATA

In millions, except per share amounts:

At and for the years ended December 31,	2008	2007	2006	2005	2004
Net revenues	$ 13,227.4	$ 8,763.1	$ 8,033.7	$ 7,263.7	$ 6,663.2
Earnings (loss) from continuing operations	(2,567.4)	733.1	765.0	731.8	554.2
Earnings (loss) from discontinued operations	(57.4)	3,233.6	267.5	322.4	664.5
Total assets	20,924.5	14,376.2	12,145.9	11,756.4	11,414.6
Total debt	5,124.1	1,453.7	1,984.6	2,117.0	1,880.4
Shareholders equity	6,661.4	7,907.9	5,404.8	5,761.9	5,733.8
Basic earnings (loss) per common share:					
Continuing operations	$ (8.54)	$ 2.52	$ 2.39	$ 2.17	$ 1.60
Discontinued operations	(0.19)	11.12	0.84	0.95	1.92
Diluted earnings (loss) per common share:					
Continuing operations	$ (8.54)	$ 2.48	$ 2.37	$ 2.14	$ 1.58
Discontinued operations	(0.19)	10.95	0.83	0.95	1.89
Dividends per common share	$ 0.72	$ 0.72	$ 0.68	$ 0.57	$ 0.44

1. Earnings and dividends per common share amounts have been restated to reflect a two-for-one stock split that occurred in August 2005.

2. 2006 2004 amounts have been restated to reflect Compact Equipment and the Road Development business unit as discontinued operations.

3. 2008 amounts include the results of Trane since the acquisition date (June 5, 2008 through December 31, 2008).

4. 2008 Earnings (loss) from continuing operations include an after-tax, non-cash asset impairment charge of $3.4 billion that was recognized in the fourth quarter.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

Organization

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

We are dedicated to inspiring progress for our customers, shareholders, employees and communities by achieving:

- *Dramatic Growth*, by focusing on innovative solutions for our customers;
- *Operational Excellence*, by pursuing continuous improvement in all of our operations; and
- *Dual Citizenship*, by bringing together the talents of all Ingersoll Rand people to leverage the capabilities of our global enterprise.

To achieve these goals and to become a more diversified company with strong growth prospects, we transformed our enterprise portfolio by divesting cyclical, low-growth and asset-intensive businesses. In addition, our acquisition strategy has helped deliver more consistent revenue and earnings performance across all phases of the economic cycle. Aside from our portfolio transformation, we continue to focus on increasing our recurring revenue stream, which includes revenues from parts, service, used equipment and rentals. We also intend to continuously improve the efficiencies, capabilities, products and services of our high-potential businesses.

Trends and Economic Events

We are a global corporation with worldwide operations. As a global business, our operations are affected by worldwide, regional and industry-specific economic factors, as well as political factors, wherever we operate or do business. Our geographic and industry diversity, as well as the diversity of our product sales and services, has helped limit the impact of any one industry or the economy of any single country on our consolidated operating results.

The recent extreme volatility and disruption of financial markets in the United States, Europe and Asia have contributed to weakening worldwide economic conditions. As a result, we have seen weaker

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demand for many of our products and services during the second half of 2008. In addition, the uncertainty related to the cost and availability of credit has further depressed the overall business climate. Our revenues from continuing operations for 2008 increased 50.9% compared with 2007, primarily associated with the acquisition of Trane Inc. (Trane). Excluding the results of Trane, our revenues from continuing operations for 2008 increased less than 1% compared with 2007.

Despite the increasingly challenging economic environment, we continue to execute our business strategy. The divestiture of both Compact Equipment and the Road Development business unit in 2007, in addition to the acquisition of Trane in 2008, has enabled us to become more balanced across the products we offer. In addition, our current enterprise-wide restructuring actions initiated in the fourth quarter of 2008 are designed to streamline the footprint of our manufacturing facilities and reduce our general and administrative cost base.

Given the broad range of products manufactured and geographic markets served, management uses a variety of factors to predict the outlook for the Company. We monitor key competitors and customers in order to gauge relative performance and the outlook for the future. In addition, our order rates are indicative of future revenue and thus a key measure of anticipated performance. In those industry segments where we are a capital equipment provider, revenues depend on the capital expenditure budgets and spending patterns of our customers, who may delay or accelerate purchases in reaction to changes in their businesses and in the economy.

For 2009, we expect current market conditions continuing to negatively affect our financial results. Declining markets in North America and Western Europe partially offset by slight to moderate growth in the developing economies of Eastern Europe, Asia and Latin America will have a negative impact. In addition, with more than 40% of our revenues generated outside of the U.S., the recent appreciation of the U.S. dollar against most major currencies could negatively impact our 2009 revenue.

Despite the current economic turmoil, we have a solid foundation of global brands and leading market shares in all of our major product lines. In addition, our growing geographic and industry diversity coupled with our large installed product base provides growth opportunities within our service, parts and replacement revenue streams.

Acquisition of Trane

At the close of business on June 5, 2008 (the Acquisition Date), we completed the acquisition of 100% of the outstanding common shares of Trane. Trane, previously named American Standard Companies Inc., provides systems and services that enhance the quality and comfort of the air in homes and buildings around the world. Trane s systems and services have leading positions in premium commercial, residential, institutional and industrial markets, a reputation for reliability, high quality and product innovation and a powerful distribution network. Trane s 2007 annual revenues were $7.5 billion.

We paid a combination of (i) 0.23 of an IR-Limited Class A common share and (ii) $36.50 in cash, without interest, for each outstanding share of Trane common stock. The total cost of the acquisition was approximately $9.6 billion, including change in control payments and direct costs of the transaction. We financed the cash portion of the acquisition with a combination of cash on hand, commercial paper and a 364-day senior unsecured bridge loan facility.

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The components of the purchase price were as follows:

In billions		
Cash consideration	$	7.3
Stock consideration (Issuance of 45.4 million IR-Limited Class A common shares)		2.0
Estimated fair value of Trane stock options converted to 7.4 million IR-Limited stock options		0.2
Transaction costs		0.1
Total	$	9.6

As a result of the acquisition, the results of the operations of Trane have been included in the statement of financial position at December 31, 2008 and the consolidated statements of operations and cash flows since the Acquisition Date. For further details on the acquisition of Trane, see Note 3 to the consolidated financial statements.

Significant events in 2008

As discussed in Acquisition of Trane above, on June 5, 2008, we acquired 100% of the outstanding common shares of Trane for approximately $9.6 billion.

In August 2008, we filed a universal shelf registration statement with the Securities and Exchange Commission (SEC) for an indeterminate amount of securities for future issuance and issued $1.6 billion of long-term debt pursuant to the shelf registration statement. This issuance consisted of $250 million Senior Floating Rate Notes due in 2010, $600 million 6.000% Senior Notes due in 2013 and $750 million 6.875% Senior Notes due in 2018. These notes are fully and unconditionally guaranteed by IR-Limited, which directly owns 100% of the subsidiary issuer, IR Global Holding Company Limited. The net proceeds from the offering were used to partially reduce the amount outstanding under the senior unsecured bridge loan facility, which had a balance of $754 million at December 31, 2008.

In October 2008, we announced plans to initiate enterprise-wide restructuring actions. These actions include streamlining the footprint of manufacturing facilities and reducing the general and administrative cost base. Projected costs will approximate $110 million. As of December 31, 2008, we have incurred $71 million of costs associated with this restructuring.

In the fourth quarter of 2008, we tested goodwill and other indefinite-lived intangible assets for impairment. As a result of decreased global equity valuations, the tightening of industrial and retail end markets and a resulting decline in our 2009 projected financial performance, we incurred a non-cash pre-tax impairment charge of $3,710.0 million, $3,385.0 million after-tax.

Significant events in 2007

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

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

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During the fourth quarter of 2007, we recorded a non-cash charge to earnings of discontinued operations of $449 million ($277 million after-tax) relating to the company's liability for all pending and estimated future asbestos claims through 2053. This charge resulted from an increase in our recorded liability for asbestos claims by $538 million, from $217 million to $755 million, offset by a corresponding $89 million increase in our recorded asset for probable asbestos-related insurance recoveries, from $161 million to $250 million at December 31, 2007. For a further discussion of asbestos matters, see Note 22 to the consolidated financial statements.

On July 20, 2007, the Company and its consolidated subsidiaries received a notice from the Internal Revenue Service (IRS) containing proposed adjustments to the Company s tax filings in connection with an audit of the 2001 and 2002 tax years. The IRS did not contest the validity of the Company s reincorporation in Bermuda. The most significant adjustments proposed by the IRS involve treating the entire intercompany debt incurred in connection with the Company s reincorporation in Bermuda as equity. As a result of this recharacterization, the IRS has disallowed the deduction of interest paid on the debt and imposed dividend withholding taxes on the payments denominated as interest. These adjustments proposed by the IRS, if upheld in their entirety, would result in additional taxes with respect to 2002 of approximately $190 million plus interest, and would require the Company to record additional charges associated with this matter. At this time, the IRS has not yet begun their examination of the Company s tax filings for years subsequent to 2002. However, if these adjustments or a portion of these adjustments proposed by the IRS are ultimately sustained, it is likely to also affect subsequent tax years.

The Company strongly disagrees with the view of the IRS and filed a protest with the IRS in the third quarter of 2007. The Company has and intends to continue to vigorously contest these proposed adjustments. The Company, in consultation with its outside advisors, carefully considered many factors in determining the terms of the intercompany debt, including the obligor s ability to service the debt and the availability of equivalent financing from unrelated parties, two factors prominently cited by the IRS in denying debt treatment. The Company believes that its characterization of that obligation as debt for tax purposes was supported by the relevant facts and legal authorities at the time of its creation. The subsequent financial results of the relevant companies, including the actual cash flow generated by operations and the production of significant additional cash flow from dispositions have confirmed the ability to service this debt. Although the outcome of this matter cannot be predicted with certainty, based upon an analysis of the strength of its position, the Company believes that it is adequately reserved for this matter. As the Company moves forward to resolve this matter with the IRS, it is reasonably possible that the reserves established may be adjusted within the next 12 months. However, the Company does not expect that the ultimate resolution will have a material adverse impact on its future results of operations or financial position. See Note 19 to the consolidated financial statements for a further discussion of tax matters.

During 2007, we repurchased 39.7 million Class A common shares at a cost $1,999.9 million under our existing $4 billion share repurchase program. This repurchase program was originally authorized by the Board of Directors in December 2006 to repurchase up to $2 billion and subsequently expanded to $4 billion in May 2007.

Significant Events in 2006

During 2006, we completed our original $2 billion share repurchase program by repurchasing 27.7 million Class A common shares at a cost of $1,096.3 million. This share repurchase program was originally authorized by the Board of Directors in August 2004 and subsequently expanded in August 2005. In December 2006, the Board of Directors authorized a new share repurchase program to repurchase up to $2 billion worth of Class A common shares. No amounts were repurchased under the December 2006 authorization as of December 31, 2006.

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On October 6, 2006, we received a notice from the IRS containing proposed adjustments to our tax filings in connection with an audit of the 1998 through 2000 tax years. The principal proposed adjustments consist of the disallowance of certain capital losses taken in our tax returns in 1999 and 2000. The disallowance would result in additional taxes and penalties of approximately $155 million, plus interest through October 6, 2006, of approximately $62 million. As a result, in the third quarter of 2006, we added approximately $27 million ($0.08 per dilutive share) to previously established reserves. In order to reduce the potential interest expense associated with this matter, we made a payment to the IRS of $217 million in the third quarter of 2007. See Note 19 to the consolidated financial statements for a further discussion of tax matters.

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Results of Operations

Dollar amounts in millions, except per share data	2008	% of Revenues	2007	% of Revenues	2006	% of Revenues
Net revenues	$ 13,227.4		$ 8,763.1		$ 8,033.7	
Cost of goods sold	(9,748.1)	73.7%	(6,272.0)	71.6%	(5,768.4)	71.8%
Selling and administrative expenses	(2,343.1)	17.7%	(1,433.3)	16.3%	(1,266.8)	15.8%
Asset impairment	(3,710.0)		-		-	
Operating income (loss)	(2,573.8)	-19.5%	1,057.8	12.1%	998.5	12.4%
Interest expense	(245.4)		(136.2)		(133.6)	
Other, net	43.2		15.9		(7.3)	
Earnings (loss) before income taxes	(2,776.0)		937.5		857.6	
(Provision) benefit for income taxes	208.6		(204.4)		(92.6)	
Earnings (loss) from continuing operations	(2,567.4)		733.1		765.0	
Discontinued operations, net of tax	(57.4)		3,233.6		267.5	
Net earnings (loss)	$ (2,624.8)		$ 3,966.7		$ 1,032.5	
Diluted earnings (loss) per common share:						
Continuing operations	$ (8.54)		$ 2.48		$ 2.37	
Discontinued operations	(0.19)		10.95		0.83	
Net earnings (loss)	$ (8.73)		$ 13.43		$ 3.20	

The discussions that follow describe the significant factors contributing to the changes in our results of operations for the periods presented. Included in the review are certain non-GAAP financial measures. We believe that it is meaningful to provide the relative impact of integration and restructuring charges, non-recurring cost related to the acquisition of Trane and impairment charges in order to present a better understanding of our results on a period to period comparative basis. The adjusted information is intended to be more indicative of our core operating results.

Net Revenues

Net revenues for the year ended December 31, 2008 increased by 51%, or $4,464.3 million, compared with the same period of 2007, which primarily resulted from the following:

Volume/product mix	-4.5%
Pricing	2.5%
Currency exchange rates	2.0%
Acquisitions	51.0%
Total	51.0%

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The acquisition of Trane on June 5, 2008 increased revenues by $4,401.3 million during the year. Excluding the results of Trane, revenues increased by 0.7%, or $63.0 million. Softening overall demand in many major end-markets was the primary driver of the volume reduction. However, we continue to make progress in increasing recurring revenues, which improved by 6% over prior year and accounted for 19% of net revenues in 2008.

Net revenues for the year ended December 31, 2007 increased by 9%, or $729.4 million, compared with the same period of 2006, which primarily resulted from the following:

Volume/product mix	4.0%
Pricing	2.0%
Acquisitions	2.5%
Currency exchange rates	0.5%
Total	9.0%

Revenues increased significantly in the European, Asian and Latin American regions as volumes, product mix and pricing all improved during 2007. North American revenues increased moderately compared to 2006. These increases occurred in each of our business segments. Recurring revenues continue to be a source of growth as they improved by 9% over the prior year and accounted for 18% of net revenues in 2007.

Cost of Goods Sold

For the year ended December 31, 2008, cost of goods sold increased by $3,476.1 million compared to the same period in 2007. The increase was primarily related to the acquisition of Trane. In addition, cost of goods sold included $56.7 million of restructuring and integration costs compared to restructuring costs of $24.8 million in 2007. Cost of goods sold as a percentage of revenue increased to 73.7% compared with 71.6% for the same period of 2007. Excluding the results of Trane, cost of goods sold as a percentage of revenue would have been 72.7%. Higher material costs and unfavorable business and product mix more than offset price increases. In addition, decreased leverage due to lower volumes contributed to the year-over-year increase.

For the year ended December 31, 2007, cost of goods sold as a percentage of revenues decreased slightly to 71.6% compared with 71.8% for the same period of 2006. Increased leverage on higher revenues provided a benefit which was offset by unfavorable mix and higher material costs. Restructuring costs, which accounted for $24.8 million of the year-over-year increase, had a 0.3% impact on cost of goods sold as a percentage of revenue.

Selling and Administrative Expenses

For the year ended December 31, 2008, selling and administrative expense increased by $909.8 million compared to the same period in 2007. The increase was primarily related to the acquisition of Trane. In addition, selling and administrative expense included $34.2 million of restructuring and integration costs compared to $3.9 million of restructuring costs in 2006. Selling and administrative expense as a percentage of revenue increased to 17.7% compared with 16.3% for the same period of 2007. Excluding the results of Trane, selling and administrative expense as a percentage of revenue would have been 16.6%. Decreased leverage due to lower volumes more than offset expense reduction and price increases.

For the year ended December 31, 2007, selling and administrative expenses as a percentage of revenues increased to 16.3% compared with 15.8% for the same period of 2006. This increase was primarily due to increased costs of $23 million associated with the divestiture of Compact Equipment and the Road

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Development business unit. In addition, share-based compensation expense of $20 million and the prior year adjustment of the allowance for doubtful accounts of $15 million also contributed to the increase. These additional costs were partially offset by better leverage from higher revenue.

Asset Impairment

During the fourth quarter of 2008, we tested goodwill and other indefinite-lived intangible assets for impairment. As a result of decreased global equity valuations, the tightening of industrial and retail end markets and a resulting decline in our 2009 projected financial performance, we incurred a non-cash pre-tax impairment charge of $3,710.0 million, $3,385.0 million after-tax.

The following table summarizes the impairment charges that were taken by sector during 2008:

In millions	Goodwill	Intangible Assets	Marketable Securities	Total
Air Conditioning Systems and Services	$ 2,496.0	$ 814.0	$ -	$ 3,310.0
Climate Control Technologies	-	40.0	-	40.0
Security Technologies	344.0	6.0	10.0	360.0
Total	$ 2,840.0	$ 860.0	$ 10.0	$ 3,710.0

For a further discussion of impairment related matters, see Goodwill and Indefinite-Lived Intangible Assets under Critical Accounting Policies and Note 4 to the consolidated financial statements.

Operating Income (Loss)

Operating income for the year ended December 31, 2008 decreased by $3,631.6 million compared with the same period of 2007. The primary driver of the year-over-year decrease related to the $3,710.0 million asset impairment charge recognized in the fourth quarter of 2008. Results were further impacted by the acquisition of Trane in the second quarter of 2008 in addition to related restructuring and integration cost. Excluding these items, operating margins would have been 7.8%. Lower volumes, higher commodity costs and an unfavorable business and product mix were partially offset by expense reduction, productivity actions and improved pricing.

Operating income for the year ended December 31, 2007 increased by $59.3 million or 5.9%, compared with the same period of 2006. Excluding restructuring charges, operating income would have increased by 8.8% to $1,086.5 million. The increase in operating income was mainly attributable to increased revenues, productivity improvements, improved pricing and favorable volumes. These benefits were partially offset by higher material costs and an unfavorable product mix. However, these cost increases, coupled with the unfavorable product mix, held operating margins flat at 12.4% compared to the prior year.

Interest Expense

Interest expense for the year ended December 31, 2008 increased $109.2 million compared with the same period of 2007. The increase is primarily related to significantly higher debt levels used to help fund the acquisition of Trane in June 2008.

Interest expense for the year ended December 31, 2007 increased by $2.6 million compared with the same period of 2006. The increase was mainly attributable to higher year-over-year average debt levels due to the issuance and subsequent repayment of commercial paper during the year.

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Other, Net

The year-over-year changes in Other, net primarily resulted from the following:

In millions	2008	2007	2006
Interest income	$ 95.6	$ 36.2	$ 15.9
Exchange gain (loss)	(41.9)	(2.8)	(21.3)
Minority interests	(20.0)	(14.3)	(14.9)
Earnings from equity investments	3.4	1.0	(0.1)
Other	6.1	(4.2)	13.1
Other, net	$ 43.2	$ 15.9	$ (7.3)

For the year ended December 31, 2008, Other, net increased by $27.3 million compared with the same period of 2007. The increase was a result of greater interest income generated by higher average cash balances prior to the acquisition of Trane in June 2008. The results were partially offset by currency losses due to significant volatility in currency exchange rates, predominately in the fourth quarter.

For the year ended December 31, 2007, Other, net increased by $23.2 million compared to the same period of 2006. The increase was primarily due to increased interest income as result of higher average cash balances during 2007. Additionally, Other, net in 2006 included income from a reduction of a product liability reserve of approximately $9 million.

Provision for Income Taxes

For the year ended December 31, 2008, the effective tax rate was 7.5%. The tax rate was substantially below the U.S. Statutory rate of 35.0% primarily due to the large impairment charge recognized in the fourth quarter, as well as earnings in non-U.S. jurisdictions, which, in aggregate, have a lower effective rate. Excluding the impairment charge, the adjusted effective rate would have been 12.4%, compared with an effective rate of 21.8% in 2007. The 9.4 point reduction in the effective rate is primarily the result of lower earnings in high tax jurisdiction during 2008.

The effective tax rate increased approximately by 11% in 2007 compared with 2006. The increase in the effective tax rate during 2007 was primarily due to increased earnings in higher tax jurisdictions (7.2%) and increased tax reserves (3.2%) primarily associated with Financial Accounting Standard Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109 (FIN 48), a new accounting standard that we adopted in 2007. FIN 48 prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return.

Review of Business Segments

We classify our business into four reportable segments based on industry and market focus: Air Conditioning Systems and Services, Climate Control Technologies, Industrial Technologies and Security Technologies. The segment discussions that follow describe the significant factors contributing to the changes in results for each segment included in continuing operations.

Included in the review of our business segments are non-GAAP financial measures. We believe that it is meaningful to provide the relative impact of integration and restructuring charges, non-recurring cost related to the acquisition of Trane and impairment charges in order to present a better understanding of our results on a period to period comparative basis. The adjusted information is intended to be more indicative of our core operating results.

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Air Conditioning Systems and Services

Our Air Conditioning Systems and Services segment provides heating, ventilation and air conditioning (HVAC) systems that enhance the quality and comfort of the air in homes and buildings around the world. It offers customers a broad range of energy-efficient HVAC systems, dehumidifying and air cleaning products, service and parts support, advanced building controls as well as financing solutions under the Trane and American Standard Heating and Air Conditioning brands. These brands have leading positions in commercial, residential, institutional and industrial markets.

Dollar amounts in millions	2008
Net revenues	$ 4,401.3
Operating income (loss)	(3,145.7)
Add back:	
Impairment charges	3,310.0
Purchase accounting charges	158.4
Restructuring charges	15.3
Integration charges	5.0
Adjusted operating income	$ 343.0
Operating margin	-71.5%
Adjusted operating margin	7.8%

Includes results since the acquisition date (June 5, 2008)

Reported results for revenues and operating income for the six months and 25 days ended December 31, 2008 reflect year-to-date activity since the Acquisition Date (June 5, 2008 onward). In the fourth quarter of 2008, we recognized a non-cash charge of $3,310.0 million related to the impairment of goodwill and indefinite-lived intangible assets within the segment.

Included within operating income is $158.4 million of purchase accounting charges that are not expected to recur next year. These charges relate to inventory step-up, backlog amortization and in-process research and development costs. In addition, we recorded $20.3 million of severance and other business integration costs associated with the acquisition. Excluding these charges, operating income would have been $343.0 million with an adjusted operating margin of 7.8%.

Included in adjusted operating income is $81.1 million of costs associated with the amortization of intangible assets fair valued as of the Acquisition Date. We expect these costs to be an incremental expense in future periods as they relate to intangible assets with finite lives.

Commercial results decreased in both domestic and international markets. Increased revenues for parts, services and solutions were more than offset by a decline in equipment revenues. Residential results were impacted by continued weakness in the U.S. housing market.

Climate Control Technologies

Our Climate Control Technologies segment provides equipment and services to manage controlled-temperature environments for food and other perishables throughout the world. Encompassing the transport and stationary refrigeration markets, this segment offers customers a broad range of products and solutions such as refrigerated display merchandisers, beverage coolers, auxiliary power units, walk-in storage coolers and freezers and transport temperature control units. This segment includes the market leading brands of Hussmann and Thermo King.

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Dollar amounts in millions	2008	% change	2007	% change	2006
Net revenues	$ 3,356.8	-0.5%	$ 3,372.4	6.4%	$ 3,171.0
Operating income	278.9	-27.1%	382.6	7.5%	356.0
Add back:					
Impairment charges	40.0		-		-
Restructuring charges	38.6		22.4		-
Adjusted operating income	$ 357.5	-11.7%	$ 405.0	13.8%	$ 356.0
Operating margin	8.3%		11.3%		11.2%
Adjusted operating margin	10.7%		12.0%		11.2%

2008 vs 2007

For the year ended December 31, 2008, net revenues decreased by 0.5% or $15.6 million, compared with the same period of 2007. The slight decrease in the year-over-year results were primarily due to lower volumes (4%) offset by a favorable currency impact (3%) and improved pricing.

Operating income decreased by 27.1% or $103.7 million during 2008. In the fourth quarter, we recognized a non-cash charge of $40.0 million related to the impairment of indefinite-lived intangible assets within the segment. In addition, we recorded $38.6 million of restructuring charges associated with employee termination benefits and other cost associated with announced restructuring plans. Excluding the impairment charge and restructuring costs, operating income would have been $357.5 million, increasing the operating margin to 10.7% from 8.3%.

On an adjusted basis, operating income for the year ended December 31, 2008 decreased by 11.7% or $47.5 million compared with the same period of 2007. The decrease was primarily related to lower volumes and product mix ($73 million), increased material costs ($46 million) partially offset by increased productivity ($51 million), improved pricing ($44 million) and a favorable currency impact.

The decrease in segment revenues primarily resulted from the decline in the truck market, which decreased refrigerated trailer and truck revenues in North America and Europe. In addition, sea-going container revenues, as well as bus and aftermarket revenues also decreased as a result of slower end market activity. Worldwide display cases and contracting revenue decreased due to declines in display case sales to regional supermarkets in the U.S. and a sharp decline in the installation business. However, sales of the TriPac® auxiliary unit continued to experience substantial growth.

2007 vs 2006

For the year ended December 31, 2007, net revenues increased by 6.4% or $201.4 million, compared with the same period of 2006. The main drivers of the increase were a favorable currency impact (4%), higher volumes (2%) and improved product pricing.

Operating income increased by 7.5% or $26.6 million during 2007. During the year, we recorded $22.4 million of restructuring charges relating to ongoing cost reduction efforts, including workforce reductions and the consolidation of manufacturing facilities. Excluding these costs, operating income would have been $405.0 million, increasing the operating margin to 12.0% from 11.3%.

On an adjusted basis, operating income for the year ended December 31, 2007 increased by 13.8% or $49.0 million compared with the same period of 2006. The increase was due to increased productivity ($68 million), improved product pricing ($44 million) and favorable currency impact ($15 million). These increases were partially offset by higher material costs ($46 million), unfavorable product mix ($20 million) and new product development ($8 million).

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Net revenues grew in the European, Asian and Latin American regions during the year ended 2007, benefiting from strong truck and trailer sales and year-over-year gains in bus and marine containers. These gains were partially offset by lower activity levels in the North American trailer markets. Revenues for service and installation increased with growth in the North American and Asian markets, offsetting weakness in the European market for display cases.

Industrial Technologies

Our Industrial Technologies segment provides products, services and solutions that enhance energy efficiency, productivity and operations. It offers our global customers a diverse and innovative range of products including compressed air systems, tools, pumps, fluid handling systems, golf and utility vehicles in addition to environmentally friendly micro turbines. This segment includes the Club Car and Ingersoll Rand market leading brands.

Dollar amounts in millions	2008	% change	2007	% change	2006
Net revenues	$ 2,938.3	2.1%	$ 2,877.1	11.6%	$ 2,577.7
Operating income	353.7	-9.8%	392.0	11.4%	351.8
Add back:					
Restructuring charges	9.6		1.0		-
Adjusted operating income	$ 363.3	-7.6%	$ 393.0	11.7%	$ 351.8
Operating margin	12.0%		13.6%		13.6%
Adjusted operating margin	12.4%		13.7%		13.6%

2008 vs 2007

For the year ended December 31, 2008, net revenues increased by 2.1% or $61.2 million, compared with the same period of 2007. The primary drivers of the year-over-year increase were improved pricing (2%), acquisitions (2%) and a favorable currency impact (1%). The improved results were partially offset by lower volumes and product mix (3%).

Operating income decreased by 9.8% or $38.3 million during 2008. In the fourth quarter, we recorded $9.6 million of restructuring charges associated with employee termination benefits and other cost associated with announced restructuring plans. Excluding the restructuring costs, operating income would have been $363.3 million, increasing the operating margin to 12.4% from 12.0%.

On an adjusted basis, operating income for the year ended December 31, 2008 decreased by 7.6% or $29.7 million compared with the same period of 2007. The decreased was primarily related to higher material costs ($61 million), lower volumes and product mix ($42 million) and increased spending on new product development ($15 million). These reductions were partially offset by improved pricing ($62 million) and increased productivity ($46 million).

The increase in segment revenue was driven by the worldwide increase in the Air and Productivity Solutions business. However, lower volumes in all geographic areas in the second half of the year show the weakening industrial and fluid handling end markets. In addition, slower industrial production levels as well as the deferral of some maintenance by customers more than offset aftermarket growth. Club Car revenues declined in all geographic areas compared with 2007 mainly due to weak economic fundamentals in key golf, hospitality and recreation markets. However, the business continued to gain market share in the declining golf market and a softening utility vehicle market.

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2007 vs 2006

For the year ended December 31, 2007, net revenues increased by 11.6% or $299.4 million, compared with the same period of 2006. Higher volumes and product mix (5%), a favorable currency impact (2%), acquisitions (2%) and improved product pricing (2%) were the primary drivers of the year-over-year increase.

Operating income increased by 11.4% or $40.2 million during 2007. During the year, we recorded $1.0 million of restructuring charges relating to ongoing cost reduction efforts, including workforce reductions and the consolidation of manufacturing facilities. Excluding these costs, operating income would have been $393.0 million, increasing the operating margin to 13.7% from 13.6%.

On an adjusted basis, operating income for the year ended December 31, 2007 increased by 11.7% or $41.2 million compared with the same period of 2006. The increase was due to improved product pricing ($48 million), increased productivity ($33 million) and higher volumes ($32 million). These gains were partially offset by higher material costs ($63 million) and investments in new product development and productivity programs ($13 million).

Air Solutions revenues increased by 16% compared with 2006, mainly driven by favorable worldwide industrial markets and increased recurring revenues. Productivity Solutions revenues increased moderately compared with 2006, mainly due to non-U.S. growth in the industrial fluid and handling markets and higher service revenues, partially offset by a weak domestic market for tools. Club Car revenues increased by 10% compared with 2006, mainly due to growth in the sales of utility, off-road and aftermarket vehicles and ongoing market share gains in a soft golf market.

Security Technologies

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

Dollar amounts in millions	2008	% change	2007	% change	2006
Net revenues	$ 2,531.0	0.7%	$ 2,513.6	10.0%	$ 2,285.0
Operating income	100.4	-76.8%	433.5	8.3%	400.2
Add back:					
Impairment charges	360.0		-		-
Restructuring charges	13.1		5.3		-
Adjusted operating income	$ 473.5	7.9%	$ 438.8	9.6%	$ 400.2
Operating margin	4.0%		17.2%		17.5%
Adjusted operating margin	18.7%		17.5%		17.5%

2008 vs 2007

For the year ended December 31, 2008, net revenues increased by 0.7% or $17.4 million, compared with the same period of 2007. The slight year-over-year increase was primarily related to improved pricing (5%) and a favorable currency impact (1%). However, lower volumes offset most of the revenue gains made during the year.

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Operating income decreased by 76.8% or $333.1 million during 2008. In the fourth quarter, we recognized a non-cash charge of $360.0 million related to the impairment of goodwill, indefinite-lived intangible assets and marketable securities within the segment. In addition, we recorded $13.1 million of restructuring charges associated with employee termination benefits and other costs associated with announced restructuring plans. Excluding the impairment charge and restructuring costs, operating income would have been $473.5 million, increasing the operating margin to 18.7% from 4.0%.

On an adjusted basis, operating income for the year ended December 31, 2008 increased by 7.9% or $34.7 million compared with the same period of 2007. Improved pricing ($119 million) and productivity gains ($42 million) more than offset the decrease in volume ($76 million), increased material costs ($15 million) and a negative currency impact ($7 million).

Net revenues increased slightly during the year driven by electronic solutions growth in Asia. However, declines in the North American commercial construction market and well as in Europe during the fourth quarter significantly lowered year-over-year revenues. In addition, lower residential volume in North America was a result of lower same store sales at large customers and ongoing weakness in the new homebuilder channel.

2007 vs 2006

For the year ended December 31, 2007, net revenues increased by 10.0% or $228.6 million, compared with the same period of 2006. The primary drivers were higher volumes and product mix (5%) and improved product pricing (4%).

Operating income increased by 8.3% or $33.3 million during 2007. During the year, we recorded $5.3 million of restructuring charges relating to ongoing cost reduction efforts, including workforce reductions and the consolidation of manufacturing facilities. Excluding these costs, operating income would have been $438.8 million, increasing the operating margin to 17.5% from 17.2%.

On an adjusted basis, operating income for the year ended December 31, 2007 increased by 9.6% or $38.6 million compared with the same period of 2006. The increase was due to improved product pricing ($84 million) and increased productivity ($15 million). These gains were partially offset by higher material costs ($35 million), lower volumes ($16 million) and new product development ($6 million).

Net revenues grew in all regions during the year benefiting from strong worldwide commercial construction markets, especially in schools, universities and health-care facilities. Revenues from electronic access control and mechanical products also increased year-over-year. Market share gains from both the new home-builder channel and large retail customers increased revenue along with the introduction of residential electronic products and new product designs. These increases helped offset the effects of a declining North American residential market.

Discontinued Operations

The components of discontinued operations for the years ended December 31 are as follows:

In millions	2008	2007	2006
Revenues	$ 15.3	$ 2,957.8	$ 3,375.7

Pre-tax earnings (loss) from operations	(50.3)	(82.5)	376.6
Pre-tax gain (loss) on sale	(5.2)	4,382.6	1.1
Tax benefit (expense)	(1.9)	(1,066.5)	(110.2)
Discontinued operations, net	$ (57.4)	$ 3,233.6	$ 267.5

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Pre-tax loss from operations in 2007 includes a non-cash charge of $449.0 million related to our liability for all pending and estimated future asbestos claims through 2053 as discussed below in Other Discontinued Operations.

Discontinued operations by business for the years ended December 31 are as follows:

In millions	2008	2007	2006
Compact Equipment, net of tax	$ (11.7)	$ 2,927.1	$ 240.4
Road Development, net of tax	(29.8)	672.5	62.9
Other discontinued operations, net of tax	(15.9)	(366.0)	(35.8)
Total discontinued operations, net of tax	$ (57.4)	$ 3,233.6	$ 267.5

Compact Equipment Divestiture

On July 29, 2007, we agreed to sell our Bobcat, Utility Equipment and Attachments business units (collectively, Compact Equipment) to Doosan Infracore for gross proceeds of approximately $4.9 billion, subject to post closing purchase price adjustments. The sale was completed on November 30, 2007. We are currently in the process of resolving the final purchase price adjustments with Doosan Infracore.

Compact Equipment manufactured and sold compact equipment, including skid-steer loaders, compact track loaders, mini-excavators and telescopic tool handlers; portable air compressors, generators and light towers; general-purpose light construction equipment; and attachments. We have accounted for Compact Equipment as discontinued operations and classified the assets and liabilities as held for sale for all periods presented in accordance with Statement of Financial Accounting Standard No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144).

Net revenues and after-tax earnings of Compact Equipment for the years ended December 31 were as follows:

In millions	2008	2007	2006
Net revenues	$ 15.3	$ 2,705.9	$ 2,648.4
After-tax earnings (loss) from operations	$ (0.6)	$ 275.1	$ 240.4
Gain (loss) on sale, net of tax	(11.1)	2,652.0	-
Total discontinued operations, net of tax	$ (11.7)	$ 2,927.1	$ 240.4

Road Development Divestiture

On February 27, 2007, we agreed to sell our Road Development business unit to AB Volvo (publ) for cash proceeds of approximately $1.3 billion. The sale was completed on April 30, 2007.

The Road Development business unit manufactured and sold asphalt paving equipment, compaction equipment, milling machines and construction-related material handling equipment. We have accounted for the Road Development business unit as discontinued operations and classified the assets and liabilities sold to AB Volvo as held for sale for all periods presented in accordance with SFAS 144.

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Net revenues and after-tax earnings of the Road Development business unit for the years ended December 31 were as follows:

In millions	2008	2007	2006
Net revenues	$ -	$ 251.9	$ 727.3
After-tax earnings (loss) from operations	$ (0.4)	$ 37.8	$ 62.9
Gain (loss) on sale, net of tax	(29.4)	634.7	-
Total discontinued operations, net of tax	$ (29.8)	$ 672.5	$ 62.9

Other Discontinued Operations

We also have retained costs from previously sold businesses that mainly include costs related to postretirement benefits, product liability and legal costs (mostly asbestos-related). The components of other discontinued operations for the years ended December 31 were as follows:

In millions	2008	2007	2006
Retained costs, net of tax	$ (16.7)	$ (340.9)	$ (36.5)
Net gain (loss) on disposals, net of tax	0.8	(25.1)	0.7
Total discontinued operations, net of tax	$ (15.9)	$ (366.0)	$ (35.8)

Retained costs, net of tax for the year ended December 31, 2008 includes $6.5 million of after-tax costs related to an adverse verdict in a product liability lawsuit associated with a previously divested business.

During the fourth quarter of 2007, we recorded a non-cash charge of $449.0 million ($277 million after-tax) related to our liability for all pending and estimated future asbestos claims through 2053. Refer to Note 22 in the consolidated financial statements for further details on asbestos-related matters.

Liquidity and Capital Resources

The global financial markets have been adversely affected by the current economic environment. The credit markets, including the commercial paper markets, have recently experienced adverse conditions including unprecedented volatility, reduced liquidity and increased interest rates. These factors generally increase the costs associated with issuing commercial paper or other debt instruments and may affect the ability of borrowers to access these markets.

To date, our availability of funding has not been materially impacted by the recent turmoil in the credit markets. We currently believe that our cash and cash equivalents balance, the cash generated by our operations, our receivable securitization program, our committed credit lines as well as our expected ability to access the capital markets will be sufficient to meet our operating and capital needs for the foreseeable future.

Liquidity

The following table contains several key measures to gauge our financial condition and liquidity at the period ended December 31:

In millions	2008	2007	2006
Cash and cash equivalents	$ 550.2	$ 4,735.3	$ 355.8
Short-term borrowings and current maturities of long-term debt	2,350.4	741.0	1,079.4
Long-term debt	2,773.7	712.7	905.2
Total debt	5,124.1	1,453.7	1,984.6
Total shareholders equity	6,661.4	7,907.9	5,404.8
Debt-to-total capital ratio	43.1%	15.4%	26.6%

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The large cash and cash equivalents balance at December 31, 2007 is attributable to the sale of both the Compact Equipment and the Road Development business units during 2007, which generated proceeds of $6,154.3 million. The lower cash and cash equivalents balance at December 31, 2008 is a result of the acquisition of Trane.

In connection with the Trane acquisition, we entered into a $3.9 billion senior unsecured bridge loan facility, with a 364-day term. We drew down $2.95 billion against the bridge loan facility in June 2008. The proceeds, along with cash on hand and the issuance of $1.5 billion in commercial paper, were used to fund the cash component of the consideration paid for the acquisition as well as to pay for related fees and expenses incurred in connection with the acquisition.

In August 2008, we filed a universal shelf registration statement with the Securities and Exchange Commission (SEC) for an indeterminate amount of securities for future issuance and issued $1.6 billion of long-term debt pursuant to the shelf registration statement through our wholly owned subsidiary, IR Global Holding Company Limited. This issuance consisted of $250 million Senior Floating Rate Notes due in 2010, $600 million 6.000% Senior Notes due in 2013 and $750 million 6.875% Senior Notes due in 2018. These notes are fully and unconditionally guaranteed by IR-Limited. The net proceeds from the offering were used to reduce the amount outstanding under the senior unsecured bridge loan facility.

Interest on the fixed rate notes will be paid twice a year. We have the option to redeem them in whole or in part at any time, and from time to time, prior to their stated maturity date at redemption prices set forth in the debt offering documents. Interest on the floating rate notes will be paid four times a year. The notes are subject to certain customary covenants, however, none of these covenants are considered restrictive to our operations.

We repaid $0.5 billion of the outstanding balance under our commercial paper program during 2008. As of December 31, 2008, we had outstanding commercial paper borrowings of $1.0 billion. We expect to fund future maturities of commercial paper through new commercial paper issuances and cash generated from our operations.

In addition, we repaid $2.0 billion of our outstanding balance of the bridge loan facility during the third quarter of 2008. We used a combination of cash flows from operations and cash on hand, in addition to the $1.6 billion in proceeds received from the issuance of long-term debt. In October 2008, we reduced the facility size to $950 million. As of December 31, 2008, our outstanding balance of the senior unsecured bridge loan facility was $754 million after a $196 million payment in the fourth quarter of 2008. The balance is scheduled to mature in June 2009. We expect to repay the outstanding amount through an expansion of our accounts receivable securitization program, future debt issuances and/or an extension of the bridge loan facility for an additional 364 days.

Debentures with Put Feature

At December 31, 2007, we had outstanding $547.9 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, we are obligated to repay in whole or in part, at the holder s option, the outstanding principal amount (plus accrued and unpaid interest) of the debentures held by the holder. If these options are not exercised, the final maturity dates would range between 2027 and 2028.

In the fourth quarter of 2008, holders of these debentures chose to exercise the put feature on approximately $202 million of the debentures, which was repaid in November 2008. As a result, approximately $346 million remained outstanding as of December 31, 2008. In the first quarter of 2009, holders of these debentures will have the option to exercise the put feature on approximately $39 million

of the remaining debentures. In the fourth quarter of 2009, holders of these debentures will have the option to exercise the put feature on approximately $307 million of the remaining debentures. Based on our cash flow forecast, we believe we will have sufficient liquidity to repay any amounts redeemable as a result of these put features.

Pension Plans

Our investment objectives in managing defined benefit plan assets are to ensure that present and future benefit obligations to all participants and beneficiaries are met as they become due; to provide a total return that, over the long term, minimizes our required contributions at the appropriate levels of risk; and to meet any statutory requirements, laws and local regulatory agencies requirements.

We monitor the impact of market conditions on our funding requirements and pension plan expense on a quarterly basis. As a result of the current market environment, our pension plans have experienced negative returns of $523.2 million during 2008. Consequently, this will increase pension expense in 2009 and require cash contributions to our pension plan. However, none of our pension plans have experienced any significant impact on their liquidity to pay retirees in the plans due to the volatility in the markets. For further details on pension plan activity, see Note 15 to the consolidated financial statements.

Cash Flows

The following table reflects the major categories of cash flows for the years ended December 31, respectively. For additional details, please see the Consolidated Statements of Cash Flows in the consolidated financial statements.

In millions	2008	2007	2006
Operating cash flow provided by (used in) continuing operations	$ 356.8	$ 829.9	$ 813.1
Investing cash flow provided by (used in) continuing operations	(7,306.4)	6,052.4	(28.7)
Financing cash flow provided by (used in) continuing operations	2,778.1	(2,563.1)	(1,343.2)

Operating Activities

Net cash provided by operating activities from continuing operations was $356.8 million for the year ended December 31, 2008 compared with $829.9 million in 2007. The change was primarily related to tax payments of approximately $1.1 billion paid to various taxing authorities, $594.4 million associated with the Compact Equipment divestiture. Tax payments in 2007 were approximately $470 million. In addition, cash flows from operating activities include Trane cash flows from operations since the Acquisition Date.

Net cash provided by operating activities from continuing operations increased to $829.9 million for the year ended December 31, 2007 compared with $813.1 in 2006. The change was primarily due to higher cash-based earnings in 2007 in addition to improved working capital management. However, these improvements were partially offset by the $217 million payment to the IRS made during 2007. For further details regarding this tax payment, see Note 19 in the consolidated financial statements.

Investing Activities

Net cash used by investing activities from continuing operations was $7,306.4 million for the year ended December 31, 2008 compared with net cash provided by continuing operations of $6,052.4 million in 2007. The change is primarily attributable to cash used for the acquisition of Trane in 2008. In addition, during the year ended

December 31, 2007, net cash proceeds of $6,154.3 million was received related to the sale of Compact Equipment and the Road Development business unit.

Net cash provided by investing activities from continuing operations was $6,052.4 million for the year ended December 31, 2007 compared with net cash used in investing activities from continuing operations of $28.7 million in 2006. The large change in investing activities was primarily attributable to the net proceeds of $6,154.3 million from the sale of Compact Equipment and the Road Development business unit in 2007.

Financing Activities

Net cash provided by financing activities from continuing operations was $2,778.1 million for the year ended December 31, 2008 compared with $2,563.1 million of net cash used in financing activities during 2007. The change in financing activities primarily relates to the outstanding balance of both our bridge loan facility and commercial paper which were used to finance the acquisition of Trane. In addition, $1.6 billion relates to the net proceeds from our long-term debt issuance in August 2008.

Net cash used in financing activities from continuing operations was $2,563.1 million for the year ended December 31, 2007 compared with $1,343.2 million in 2006. The change in financing activities was primarily due to the increase in repurchases of Class A common shares and the repayment of $551.7 million of short-term and long-term debt. During 2007, we repurchased approximately 39.7 million Class A common shares at a cost of $1,999.9 million. During 2006, we repurchased 27.7 million Class A common shares at a cost of $1,096.3 million.

Capital Resources

Based on historical performance and current expectations, we believe our cash and cash equivalents balance, the cash generated from our operations, our receivable securitization program, our committed credit lines and our expected ability to access capital markets will satisfy our working capital needs, capital expenditures and other liquidity requirements associated with our operations through at least the next 12 months.

Capital expenditures were $306.0 million, $119.7 million and $144.8 million for 2008, 2007 and 2006, respectively. Our investments continue to improve manufacturing productivity, reduce costs and provide environmental enhancements and advanced technologies for existing facilities. The capital expenditure program for 2009 is estimated to be approximately $325 million, including amounts approved in prior periods. Many of these projects are subject to review and cancellation at our option without incurring substantial charges.

During 2007, we initiated restructuring actions relating to ongoing cost reduction efforts across each of our sectors. These actions include both workforce reductions as well as the consolidation of manufacturing facilities. In addition, we announced plans to initiate enterprise-wide restructuring actions in October 2008. These actions include streamlining the footprint of manufacturing facilities and reducing the general and administrative cost base. Projected costs will approximate $110 million. As of December 31, 2008, we have incurred $71 million of costs associated with this restructuring.

For financial market risk impacting the Company, see Item 7A. Quantitative and Qualitative Disclosure About Market Risk.

Capitalization

In addition to cash on hand and operating cash flow, we maintain significant credit availability under our commercial paper programs. Our ability to borrow at a cost-effective rate under the commercial paper programs is contingent upon maintaining an investment-grade credit rating. As of December 31, 2008, our credit ratings were as follows:

	Short-term	Long-term
Moody s	P-2	Baa1
Standard and Poor s	A-2	BBB+

The credit ratings set forth above are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the assigning rating organization. Each rating should be evaluated independently of any other rating.

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In June 2008, we entered into a $1.0 billion senior unsecured revolving credit facility with a three-year term. The line is unused and provides support for our commercial paper program as well as for other general corporate purposes.

In addition to the three-year credit facility, we have committed revolving credit facilities consisting of two lines totaling $2.0 billion, of which $750 million expires in June 2009 and $1.25 billion expires in August 2010. These lines are unused and provide support for our commercial paper program as well as for other general corporate purposes. Other available lines of credit were $811.7 million, of which $651.3 million were unused at December 31, 2008. These lines provide support for bank guarantees, letters of credit and other general corporate purposes.

Our public debt does not contain any financial covenants and our revolving credit lines have a debt-to-total capital covenant of 65%. As of December 31, 2008, our debt-to-total capital ratio was significantly beneath this limit.

Contractual Obligations

The following table summarizes our contractual cash obligations by required payment periods, in millions:

	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Short-term debt	$ 1,802.0	$ -	$ -	$ -	$ 1,802.0
Long-term debt	548.4 *	537.1	619.7	1,616.9	3,322.1
Interest payments on long-term debt	177.8	295.6	278.2	870.9	1,622.5
Purchase obligations	994.8	47.0	3.5	-	1,045.3
Operating leases	169.9	233.1	142.0	102.5	647.5
Total contractual cash obligations	$ 3,692.9	$ 1,112.8	$ 1,043.4	$ 2,590.3	$ 8,439.4

* Includes $345.7 million of debt redeemable at the option of the holder. The scheduled maturities of these bonds range between 2027 and 2028.

Future expected obligations under our pension and postretirement benefit plans, income taxes, environmental and asbestos matters have not been included in the contractual cash obligations table above.

Pensions

In 2006, we adopted Statement of Financial Accounting Standard (SFAS) No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of Financial Accounting Standards Board (FASB) Statements No. 87, 88, 106 and 132(R) (SFAS 158), which required us to record the funded status of our pension plans on the balance sheet effective December 31, 2006.

In 2008, we adopted the measurement provision of SFAS 158 which required us to measure plan assets and benefit obligations as of the date of our fiscal year-end financial statements. Therefore, we changed the measurement date for our defined benefit plans from November 30 to December 31. We elected the alternative transition method whereby we determined net periodic pension cost for the 13 month period from December 1, 2007 to December 31, 2008 and allocated net periodic pension cost proportionately between amounts to be recognized as an adjustment of retained earnings and net periodic pension cost. As a result, we recorded a one-time after-tax pension charge of $1.2 million to Retained earnings ($1.8 million pre-tax). This change did not impact plans acquired through acquisitions in 2008.

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At December 31, 2008, we had net obligations on our balance sheet of $854.2 million, which consist of long-term prepaid pension costs of $0.2 million and current and non-current pension benefits liabilities of $854.4 million. As a result of the Trane acquisition, we recognized net obligations on our balance sheet at the Acquisition Date of $67.7 million, which consisted of long-term prepaid pension costs of $1.4 million and current and non-current pension benefit liabilities of $69.1 million. It is our objective to contribute to the pension plans to ensure adequate funds are available in the plans to make benefit payments to plan participants when required. However, certain plans are not or cannot be funded due to either legal or tax requirements in certain jurisdictions. As of December 31, 2008, approximately seven percent of our projected benefit obligation relates to plans that are unfunded.

Our investment objectives in managing defined benefit plan assets are to ensure that present and future benefit obligations to all participants and beneficiaries are met as they become due; to provide a total return that, over the long term, minimizes our required contributions at the appropriate levels of risk; and to meet any statutory requirements, laws and local regulatory agencies requirements. Key investment management decisions reviewed regularly are asset allocations, investment manager performance, investment advisors and trustees. Asset/liability modeling (ALM) studies are used as the basis for global asset allocation decisions and are updated as required.

Based on ALM studies, the Company continues to adjust its target strategic global asset allocations for its plans to be approximately 40% in equity securities and 60% in debt securities, real estate and cash. Asset allocations are reviewed at least quarterly and appropriate adjustments are made. Trane pension assets have been included in our reviews since acquisition and will be included in our target strategic asset allocation. Trane s historic target strategic allocation had a higher percentage invested in equity securities.

As of December 31, 2008, our asset allocation for the pension plans was 41% in equity securities and 52% in debt securities, and 7% real estate and other (including cash). Our allocation has been impacted by the current market environment.

Contributions to our pension plans were $64.1 million in 2008, $25.5 million in 2007, and $31.6 million in 2006. Our policy allows us to fund an amount, which could be in excess-of or less than pension cost expensed, subject to the limitations imposed by current tax regulations. We anticipate funding the plans in 2009 in accordance with contributions required by funding regulations or the laws of each jurisdiction and currently project that we will be required to contribute approximately $105 million to our plans worldwide in 2009.

Our pension plans for U.S. non-collectively bargained employees, excluding Trane employees, provide benefits on a final average pay formula. Trane maintains a pension plan for Trane non-collectively bargained U.S. employees, where eligible employees may elect to participate and receive a credit equal to 3% of eligible pay. Collectively bargained pension plans, including Trane plans, principally provide benefits based on a flat benefit formula. Non-U.S. plans usually provide benefits based on an earnings and years of service formula. Additional supplemental benefit plans are maintained by us for officers and other key employees. Pension benefit payments are expected to be paid as follows: $214.5 million in 2009, $242.0 million in 2010, $207.6 million in 2011, $218.9 million in 2012, $229.6 million in 2013 and $1,228.0 million for the years 2014 to 2018.

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Net pension cost is based on the weighted-average assumptions used at the end of the previous year to calculate the pension benefit obligation, adjusted for any curtailment and settlement gains or losses, if any. Trane plans were based on assumptions determined at the Acquisition Date. Net periodic pension cost for 2008 was $31.0 million, of which $7.3 million related to Trane plans. The details of net periodic pension cost for 2008, 2007 and 2006 were as follows:

In millions	2008	2007	2006
Net periodic pension benefit cost	$ 31.0	$ 11.5	$ 32.7
Net curtailment and settlement (gains) losses	2.3	63.5	-
Net periodic pension benefit (income) cost after net curtailment and settlement (gains) losses	$ 33.3	$ 75.0	$ 32.7
Amounts recorded in continuing operations	$ 44.8	$ 20.6	$ 38.3
Amounts recorded in discontinued operations	(11.5)	54.4	(5.6)
Total	$ 33.3	$ 75.0	$ 32.7

Net periodic pension cost for 2009 is projected to be approximately $160 million, of which $45 million relates to Trane pension plans.

Postretirement Benefits Other Than Pensions

In 2006, we adopted SFAS 158, which requires us to record the funded status of our postretirement plans on the balance sheet effective December 31, 2006. The adoption of SFAS 158 for the Company s postretirement plans other than pensions resulted in an increase of total liabilities of $300.4 million and a decrease of total shareholder s equity of $135.7 million (net of tax of $164.7 million).

In 2008, we adopted the measurement provision of SFAS 158 which required us to measure plan assets and benefit obligations as of the date of our fiscal year-end financial statements. Therefore, we changed the measurement date for our defined benefit plans from November 30 to December 31. We elected the alternative transition method whereby we determined net periodic pension cost for the 13 month period from December 1, 2007 to December 31, 2008 and allocated net periodic postretirement benefit cost proportionately between amounts to be recognized as an adjustment of retained earnings and net periodic pension cost. As a result, we recorded a one-time after-tax charge for postretirement benefits of $2.5 million to Retained earnings ($4.7 million pre-tax).

As a result of the acquisition of Trane on June 5, 2008, we assumed unfunded obligations for postretirement benefits other than pensions in the amount of $268.9 million.

We fund postretirement benefit costs principally on a pay-as-you-go basis. Benefit payments for postretirement benefits, which are net of expected plan participant contributions and Medicare Part D subsidy, are expected to be paid as follows: $71.1 million in 2009, $73.4 million in 2010, $70.9 million in 2011, $76.7 million in 2012, $76.1 million in 2013 and $378.4 million for the years 2014 to 2018.

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Net periodic postretirement benefit cost is based on the weighted-average assumptions used at the end of the previous year to calculate the postretirement benefit obligation, adjusted for any curtailment and settlement gains or losses, if any. Trane plans were based on assumptions determined at the Acquisition Date. Net periodic postretirement benefit cost for 2008 totaled $69.8 million, of which $13.2 million related to Trane plans. The details of net periodic postretirement cost for 2008, 2007 and 2006 were as follows:

In millions	2008	2007	2006
Net periodic postretirement benefit cost	$ 69.8	$ 78.1	$ 79.2
Net curtailment and settlement (gains) losses	-	(265.9)	-
Net periodic postretirement benefit (income) cost after net curtailment and settlement (gains) losses	$ 69.8	$ (187.8)	$ 79.2
Amounts recorded in continuing operations	$ 38.4	$ 22.7	$ 25.7
Amounts recorded in discontinued operations	31.4	(210.5)	53.5
Total	$ 69.8	$ (187.8)	$ 79.2

Net periodic postretirement benefit cost for 2009 is projected to be approximately $81 million, of which $23 million relates to Trane postretirement plans.

Income Taxes

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109 (FIN 48), which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on the recognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. As a result of adopting FIN 48, the company recorded additional liabilities to its previously established reserves, and a corresponding decrease in retained earnings of $145.6 million. The Company has total unrecognized tax benefits of $589.6 million as of December 31, 2008.

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, U.S. and non-U.S. 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 Germany, Italy, the Netherlands and the United States. In general, the examination of the Company s material tax returns is completed for the years prior to 2000.

The Internal Revenue Service (IRS) has completed the examination of the Company s federal income tax returns through the 2000 tax year and has issued a notice proposing adjustments. The principal proposed adjustment relates to the disallowance of certain capital losses. The Company disputes the IRS position and protests have been filed with the IRS Appeals Division. In order to reduce the potential interest expense associated with this matter, the Company made a payment of $217 million in the third quarter of 2007, which reduced the Company s total liability for uncertain tax positions by $141 million. Similarly, during the third quarter of 2008, the Company made an additional payment of $55.1 million related to a potential penalty assessment plus accrued interest on this matter. The Company continues

negotiating with the IRS on the ultimate settlement of this matter. The issues raised by the IRS associated with this payment are not related to the Company s reorganization in Bermuda, or the Company s intercompany debt structure.

On July 20, 2007, the Company and its consolidated subsidiaries received a notice from the IRS containing proposed adjustments to the Company s tax filings in connection with an audit of the 2001 and 2002 tax years. The IRS did not contest the validity of the Company s reincorporation in Bermuda. The most significant adjustments proposed by the IRS involve treating the entire intercompany debt incurred in connection with the Company s reincorporation in Bermuda as equity. As a result of this recharacterization, the IRS has disallowed the deduction of interest paid on the debt and imposed dividend withholding taxes on the payments denominated as interest. These adjustments proposed by the IRS, if upheld in their entirety, would result in additional taxes with respect to 2002 of approximately $190 million plus interest, and would require the Company to record additional charges associated with this matter. At this time, the IRS has not yet begun their examination of the Company s tax filings for years subsequent to 2002. However, if these adjustments or a portion of these adjustments proposed by the IRS are ultimately sustained, it is likely to also affect subsequent tax years.

The Company strongly disagrees with the view of the IRS and filed a protest with the IRS in the third quarter of 2007. The Company has and intends to continue to vigorously contest these proposed adjustments. The Company, in consultation with its outside advisors, carefully considered many factors in determining the terms of the intercompany debt, including the obligor s ability to service the debt and the availability of equivalent financing from unrelated parties, two factors prominently cited by the IRS in denying debt treatment. The Company believes that its characterization of that obligation as debt for tax purposes was supported by the relevant facts and legal authorities at the time of its creation. The subsequent financial results of the relevant companies, including the actual cash flow generated by operations and the production of significant additional cash flow from dispositions have confirmed the ability to service this debt. Although the outcome of this matter cannot be predicted with certainty, based upon an analysis of the strength of its position, the Company believes that it is adequately reserved for this matter. As the Company moves forward to resolve this matter with the IRS, it is reasonably possible that the reserves established may be adjusted within the next 12 months. However, the Company does not expect that the ultimate resolution will have a material adverse impact on its future results of operations or financial position.

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 FIN 48. 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.

Commitments and Contingencies

We are involved in various litigations, claims and administrative proceedings, including environmental and product liability matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, management believes that the 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.

Environmental Matters

We continue 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, we are currently engaged in site investigations and remediation activities to address environmental cleanup from past operations at current and former manufacturing facilities.

We are sometimes a party to environmental lawsuits and claims and have received notices of potential violations of environmental laws and regulations from the Environmental Protection Agency and similar state authorities. We have 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, our involvement is minimal.

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

During 2008, we spent $6.9 million on capital projects for pollution abatement and control, and an additional $15.5 million for environmental remediation expenditures at sites presently or formerly owned or leased by us. As of December 31, 2008, we have recorded reserves for environmental matters of $100.9 million. We believe that these expenditures and accrual levels will continue and may increase over time. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

For a further discussion of our potential environmental liabilities, see Note 22 in the consolidated financial statements.

Asbestos Matters

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

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

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

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

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

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

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

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

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

In connection with our acquisition of Trane, the Company requested ARPC to assist in calculating Trane s asbestos-related valuations of current and future liabilities. As required by SFAS No. 141, Business Combinations, the Company is required to record the assumed asbestos obligations and associated insurance-related assets at their fair value at the Acquisition Date. The Company preliminarily estimates that the assumed asbestos obligation and associated insurance-related assets at the Acquisition Date to be $494 million and $249 million, respectively. These amounts were estimated based on certain assumptions and factors consistent with those described above.

Trane continues to be in litigation against certain carriers whose policies it believes provide coverage for asbestos claims. The insurance carriers named in this suit have challenged Trane s right to recovery. Trane filed the action in April 1999 in the Superior Court of New Jersey, Middlesex County, against various primary and lower layer excess insurance carriers, seeking coverage for environmental claims (the NJ Litigation). The NJ Litigation was later expanded to also seek coverage for asbestos-related liabilities from twenty-one primary and lower layer excess carriers and underwriting syndicates. The environmental claims against most of the insurers in the NJ Litigation have been settled. On September 19, 2005, the court granted Trane s motion to add claims for insurance coverage for asbestos-related liabilities against 16 additional insurers and 117 new insurance policies to the NJ Litigation. The court also required the parties to submit all contested matters to mediation. Trane engaged in its first mediation session with the NJ Litigation defendants on January 18, 2006 and has engaged in active discussions since that time.

Trane has now settled with a substantial number of its insurers, collectively accounting for approximately 80% of its recorded asbestos-related liability insurance receivable as of January 31, 2009. More specifically, effective August 26, 2008, Trane entered into a coverage-in-place agreement (August 26 Agreement) with the following five insurance companies or groups: 1) Hartford; 2) Travelers; 3) Allstate (solely in its capacity as successor-in-interest to Northbrook Excess & Surplus Insurance Company); 4) Dairyland Insurance Company; and 5) AIG. The August 26 Agreement provides for the reimbursement by the insurer signatories of a portion of Trane s costs for asbestos bodily injury claims under specified terms and conditions and in exchange for certain releases and indemnifications from Trane. In addition, on September 12, 2008, Trane entered into a settlement agreement with Mt. McKinley Insurance Company and Everest Reinsurance Company, both members of the Everest Re group, resolving all claims in the NJ Litigation involving policies issued by those companies (Everest Re Agreement). The Everest Re Agreement contains a number of elements, including policy buy-outs and partial buy-outs in exchange for a cash payment along with coverage-in-place features similar to those contained in the August 26 Agreement, in exchange for certain releases and indemnifications by Trane. More recently, on January 26, 2009, Trane entered into a coverage-in-place agreement with Columbia Casualty Company, Continental Casualty Company, and Continental Insurance Company in its own capacity and as successor-in-interest to Harbor Insurance Company and London Guarantee & Accident Company of New York (CNA Agreement). The CNA Agreement provides for the reimbursement by the insurer signatories of a portion of Trane s costs for indemnification from Trane. Trane remains in settlement negotiations with the insurer defendants in the NJ Litigation not encompassed within the August 26 Agreement, Everest Re Agreement, and the CNA Agreement. Once concluded, we believe NJ Litigation will resolve coverage issues with respect to approximately 95% of Trane s recorded insurance receivable in connection with asbestos-related liabilities.

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

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

From receipt of its first asbestos claims more than twenty five years ago to December 31, 2008, the Company has resolved (by settlement or dismissal) approximately 253,000 claims arising from the legacy Ingersoll Rand businesses. The total amount of all settlements paid by the Company (excluding insurance recoveries) and by its insurance carriers is approximately $351 million, for an average payment per resolved claim of $1,387. The average payment per claim resolved during the year ended December 31, 2008 was $952. Because claims are frequently filed and settled in large groups, the amount and timing of settlements, as well as the number of open claims, can fluctuate significantly from period to period.

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

	2006	2007	2008
Open claims - January 1	102,968	101,709	100,623
New claims filed	6,457	5,398	4,567
Claims settled	(6,558)	(5,005)	(3,693)
Claims dismissed *	(1,158)	(1,479)	(38,189)
Open claims - December 31	101,709	100,623	63,308

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

From receipt of the first asbestos claim more than twenty years ago through December 31, 2008, the Company has resolved approximately 74,000 (by settlement or dismissal) claims arising from the legacy Trane business. The Company and its insurance carriers have paid settlements of approximately $125.4 million on these claims, which represents an average payment per resolved claim of $1,694. At December 31, 2008, there were 98,339 open claims pending against Trane. Because claims are frequently filed and settled in large groups, the amount and timing of settlements, as well as the number of open claims, can fluctuate significantly from period to period.

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

	2006	2007	2008
Open claims - January 1	113,730	104,570	105,023
New claims filed	4,440	3,019	3,626
Claims settled	(848)	(740)	(600)
Claims dismissed	(12,752)	(1,826)	(9,710)
Open claims - December 31	104,570	105,023	98,339

At December 31, 2008, over 90 percent of the open claims against the Company are non-malignancy claims, many of which have been placed on inactive or deferral dockets and the vast majority of which have little or no settlement value against the Company, particularly in light of recent changes in the legal and judicial treatment of such claims.

At December 31, 2008, the Company s liability for asbestos related matters and the asset for probable asbestos-related insurance recoveries totaled $1,195.2 million and $423.8 million, respectively, compared to $754.9 million and $249.8 million at December 31, 2007.

The (costs) income associated with the settlement and defense of asbestos related claims after insurance recoveries were as follows:

	December 31,	
In millions	2008	2007
Continuing operations	$ (1.5)	$ -
Discontinued operations	(5.9)	(311.3)
Total	$ (7.4)	$ (311.3)

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

The European Commission Investigation

In November 2004, Trane was contacted by the European Commission as part of a multi-company investigation into possible infringement of European Union competition law relating to the distribution of bathroom fixtures and fittings in certain European countries. On March 28, 2007, Trane, along with a number of other companies, received a Statement of Objections from the European Commission. The Statement of Objections, an administrative complaint, alleges infringements of European Union competition rules by numerous bathroom fixture and fittings companies, including Trane and certain of its European subsidiaries engaged in the Bath and Kitchen business. Certain of these legal entities were transferred to WABCO as part of a legal reorganization in connection with the spinoff of Trane s Vehicle Control Systems business that occurred on July 31, 2007. Trane and certain of its subsidiaries and, in light of that legal reorganization, certain of WABCO s subsidiaries will be jointly and severally liable for any fines that result from the investigation. However, pursuant to an Indemnification and Cooperation Agreement among Trane and certain other parties (Indemnification Agreement), American Standard Europe BVBA (renamed WABCO Europe BVBA) (WABCO Europe), which is a subsidiary of WABCO following the reorganization, will be responsible for, and will indemnify Trane and its

subsidiaries (including certain subsidiaries formerly engaged in the Bath and Kitchen business) and their respective affiliates against, any fines related to this investigation. Trane and the charged subsidiaries responded to the European Commission on August 1, 2007 and July 31, 2007, respectively. A hearing with the European Commission regarding the response to the Statement of Objections was conducted from November 12-14, 2007, in Brussels. WABCO Europe and other former Trane subsidiaries participated in the hearing. Trane, however, did not participate in the hearing.

In 2006, the European Commission adopted new fining guidelines (2006 Guidelines) and stated its intention to apply these guidelines in all cases in which a Statement of Objections is issued after September 2006. In applying the 2006 Guidelines, the Commission retains considerable discretion in calculating the fine although the European Union regulations provide for a cap on the maximum fine equal to ten percent of Trane s worldwide revenue attributable to all of its products for the fiscal year prior to the year in which the fine is imposed. If the maximum fine is levied in 2009, the total liability could be approximately $1.1 billion based on Trane s last full fiscal year of worldwide revenue, subject to a probable reduction for leniency of at least 20 percent provided WABCO Europe, as the leniency applicant, fulfilled all conditions set forth in the European Commission s leniency notice. WABCO has stated in its Form 10-K for the fiscal year ended December 31, 2008 that its ability to satisfy its obligations under the Indemnification Agreement is contingent on its funding capability at the time of the fine, which could be affected by, among other things, its ability to access its then existing credit facilities, its ability to obtain alternative sources of financing, its ability to obtain some payment relief from the European Commission or its ability to obtain a suspension of the payment obligation from the European Court of First Instance.

Other Matters

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

In a related matter, on July 10, 2007, representatives of the Italian Guardia di Finanza (Financial Police) requested documents from Ingersoll-Rand Italiana S.p.A pertaining to certain Oil for Food transactions undertaken by that subsidiary of the Company which resulted in charges being filed against that subsidiary. Such transactions had previously been reported to the SEC and DOJ. At a December 12, 2008 hearing, all charges against the subsidiary were dismissed.

Additionally, we have reported to the DOJ and SEC that we are currently investigating certain matters involving Trane, including one relating to the Oil for Food Program, and which raise potential issues

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under the FCPA and other applicable anti-corruption laws. We have indicated to the SEC and DOJ that we are conducting a thorough investigation of these matters and that we would report back to them with our findings. The investigation of these matters began in earnest promptly after our acquisition of Trane in June 2008 and is currently in progress. Previously, we had reported to the SEC and DOJ potential FCPA issues relating to one of our businesses in China, and we have reported back to them and shared our audit report, which indicated no FCPA violations. These matters (and other matters which may arise or of which we become aware in the future) may be deemed to violate the FCPA and other applicable anti-corruption laws. Such determinations could subject us to, among other things, further enforcement actions by the SEC or the DOJ (if, for example, the DOJ deems us to have violated the DPA), securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects and the market value of our stock.

The following represents the changes in our product warranty liability for 2008 and 2007:

In millions	2008	2007
Balance at beginning of year	$ 146.9	$ 137.1
Reductions for payments	(207.7)	(68.5)
Accruals for warranties issued during the current period	246.7	80.1
Changes for accruals related to preexisting warranties	(22.9)	(7.8)
Acquisitions	483.3	-
Translation	(5.6)	6.0
Balance at end of the year	$ 640.7	$ 146.9

Certain office and warehouse facilities, transportation vehicles and data processing equipment are leased. Total rental expense was $144.8 million in 2008, $72.2 million in 2007 and $68.2 million in 2006. Minimum lease payments required under non-cancelable operating leases with terms in excess of one year for the next five years and thereafter, are as follows: $169.9 million in 2009, $130.8 million in 2010, $102.3 million in 2011, $77.7 million in 2012, $64.3 million in 2013 and $102.5 million thereafter.

Trane has commitments and performance guarantees, including energy savings guarantees, totaling $108.4 million extending from 2008-2028. These guarantees are provided under long-term service and maintenance contracts related to its air conditioning equipment and system controls. Through 2008, the Company has experienced one insignificant loss under such arrangements and considers the probability of any significant future losses to be remote.

We have other contingent liabilities of $5.1 million. These liabilities primarily result from performance bonds, guarantees and stand-by letters of credit associated with the prior sale of products by divested businesses.

As part of the reorganization of IR-New Jersey in 2001, IR-Limited has fully and unconditionally guaranteed payment of all of IR-New Jersey s issued public debt securities. No other subsidiary of ours guarantees these securities.

IR-New Jersey has unconditionally guaranteed payment of the principal, premium, if any, and interest on our 4.75% Senior Notes due in 2015 in aggregate principal amount of $300 million. The guarantee is unsecured and provided on an unsubordinated basis. The guarantee ranks equally in right of payment with all of the existing and future unsecured and unsubordinated debt of IR-New Jersey.

Public debt securities issued by IR Global Holding Company Limited are fully and unconditionally guaranteed by IR-Limited. No other subsidiary of ours guarantees these securities.

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Critical Accounting Policies

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

Allowance for doubtful accounts The Company has provided an allowance for doubtful accounts receivable which represents the best estimate of probable loss inherent in the Company s accounts receivable portfolio. This estimate is based upon the Company s policy, derived from its knowledge of its end markets, customer base and products.

Goodwill and indefinite-lived intangible assets We have significant goodwill and intangible assets on our balance sheet related to acquisitions. Our goodwill and other indefinite-lived intangible assets are tested and reviewed annually for impairment or when there is a significant change in circumstances. Recoverability of goodwill is measured at the reporting unit level and determined using a two step process. The first step compares the carrying amount of the reporting unit to its estimated fair value. To the extent that the carrying value of the reporting unit exceeds its estimated fair value, a second step is performed, wherein the reporting unit s carrying value of goodwill is compared to the implied fair value of goodwill. To the extent that the carrying value exceeds the fair value, impairment exists and must be recognized. Recoverability of other intangible assets with indefinite useful lives is measured by a comparison of the carrying amount of the intangible assets to the fair value of the respective intangible assets. Any excess of the carrying value over the fair value is recognized as an impairment loss.

As discussed in Note 4 of the consolidated financial statements, we have recorded an impairment charge of approximately $3,710.0 million ($3,385.0 million after-tax) in the fourth quarter of 2008, based on the estimated fair value and book value of our reporting units. The determination of the reporting units estimated fair value requires management to make assumptions about estimated cash flows, including profit margins, long-term forecasts, discount rates and terminal growth rates. Management developed these assumptions based on the market and geographic risks unique to each reporting unit. The calculation of fair value is based on two valuation techniques, a discounted cash flow model (income approach) and a market adjusted multiple of earnings and revenues (market approach), with each method being equally weighted in the calculation. Under the income approach, we assumed a forecasted cash flow period of five years with discount rates generally ranging from 11%-15% and terminal growth rates generally ranging from 2%-5%. Under the market approach, management used an adjusted multiple of earnings and revenues based on the market information of comparable companies. Additionally, management compared the estimated aggregate fair value of its reporting units to the Company s overall market capitalization.

The assumptions used represent management s best estimate of fair value. For those reporting units that did not have impairment, the fair value of the reporting units exceeded the carrying value by at least 8%. Due to the ongoing uncertainty in market conditions, which may continue to negatively impact our market value, we will continue to monitor and evaluate the carrying value of goodwill and our indefinite-lived intangible assets. If market and economic conditions deteriorate further, this

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could increase the likelihood of future non-cash impairment charges related to goodwill and/or our indefinite-lived intangible assets.

Long-lived assets and finite-lived intangibles Long-lived assets and finite-lived intangibles are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. Assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows can be generated. Impairment in the carrying value of an asset would be recognized whenever anticipated future undiscounted cash flows from an asset are less than its carrying value. The impairment is measured as the amount by which the carrying value exceeds the fair value of the asset as determined by an estimate of discounted cash flows. The Company believes that its use of estimates and assumptions are reasonable and comply with generally accepted accounting principles. Changes in business conditions could potentially require future adjustments to these valuations.

Loss contingencies Liabilities are recorded for various contingencies arising in the normal course of business, including litigation and administrative proceedings, environmental and asbestos matters and product liability, product warranty, worker s compensation and other claims. The Company has recorded reserves in the financial statements related to these matters, which are developed using input derived from actuarial estimates and historical and anticipated experience data depending on the nature of the reserve, and in certain instances with consultation of legal counsel, internal and external consultants and engineers. Subject to the uncertainties inherent in estimating future costs for these types of liabilities, the Company believes its estimated reserves are reasonable and does not believe the final determination of the liabilities with respect to these matters would have a material effect on the financial condition, results of operations, liquidity or cash flows of the Company for any year.

Asbestos matters Certain wholly owned subsidiaries of the Company are named as defendants in asbestos-related lawsuits in state and federal courts. The Company records a liability for its actual and anticipated future claims as well as an asset for anticipated insurance settlements. Although the Company was neither a manufacturer or producer of asbestos, some of its formerly manufactured components from third party suppliers utilized asbestos related components. As a result, the Company records certain income and expenses associated with our asbestos liabilities and corresponding insurance recoveries within discontinued operations, net of tax, as they relate to previously divested businesses. Income and expenses associated with Trane s asbestos liabilities and corresponding insurance recoveries are recorded within continuing operations. Refer to Note 22 in the consolidated financial statements for further details of asbestos-related matters.

Revenue recognition Revenue is recognized and earned when all of the following criteria are satisfied: (a) persuasive evidence of a sales arrangement exists; (b) price is fixed or determinable; (c) collectibility is reasonably assured; and (d) delivery has occurred or service has been rendered. Delivery generally occurs when the title and the risks and rewards of ownership have substantially transferred to the customer. Revenue from maintenance contracts or extended warranties is recognized on a straight-line basis over the life of the contract, unless another method is more representative of the costs incurred. The Company enters into agreements that contain multiple elements, such as equipment, installation and service revenue. For multiple-element arrangements, the Company recognizes revenue for delivered elements when the delivered item has stand-alone value to the customer, fair values of undelivered elements are known, customer acceptance has occurred, and there are only customary refund or return rights related to the delivered elements. Revenues from certain of our equipment and the related installation sold under construction-type contracts are recorded using the percentage-of-completion method in accordance with Statement of

Position 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts. Revenues associated with contracts accounted for under the percentage of completion method of accounting amounted to approximately five percent of the Company s 2008 net revenues.

Securitization of receivables The Company has sold interests in accounts receivable to special purpose entities previously created by Trane as part of accounts receivable financing facilities established in the U.S. with a major international bank. At the time of sale, the receivables become legally isolated from the Company, the purchasers have the right to pledge or exchange the receivables and the purchasers obtain effective control over the receivables. For these reasons, receivables sold under such arrangements are removed from the balance sheet at the time they are sold. Any retained interests in receivables sold are carried at fair value in other current assets.

Income taxes Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. The Company recognizes future tax benefits, such as net operating losses and non-U.S. tax credits, to the extent that realizing these benefits is considered in its judgment to be more likely than not. The Company regularly reviews the recoverability of its deferred tax assets considering its historic profitability, projected future taxable income, timing of the reversals of existing temporary differences and the feasibility of its tax planning strategies. Where appropriate, the Company records a valuation allowance with respect to a future tax benefit.

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109 (FIN 48), which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on the recognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. As a result of adopting FIN 48, the Company recorded additional liabilities to its previously established reserves, and a corresponding decrease in retained earnings of $145.6 million. Total unrecognized tax benefits as of December 31, 2008 and December 31, 2007 were $589.6 million and $379.8 million, respectively. The increase is primarily related to the inclusion of unrecognized tax positions attributable to the Trane business.

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, U.S. and non-U.S. 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. The Company believes that it has adequately provided for any reasonably foreseeable resolution of these matters. The Company will adjust its estimate if significant events so dictate. 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 in the period that the matter is finally resolved.

Employee benefit plans The Company provides a range of benefits to eligible employees and retired employees, including pensions, postretirement and postemployment benefits. Determining the cost associated with such benefits is dependent on various actuarial assumptions including

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discount rates, expected return on plan assets, compensation increases, employee mortality and turnover rates and health-care cost trend rates. Actuarial valuations are performed to determine expense in accordance with generally accepted accounting principles in the United States. Actual results may differ from the actuarial assumptions and are generally accumulated and amortized into earnings over future periods. Effective December 31, 2006, these effects are generally recognized in shareholders equity on an annual basis, due to the adoption of SFAS 158. The Company reviews its actuarial assumptions at each measurement date and makes modifications to the assumptions based on current rates and trends, if appropriate. The discount rate, the rate of compensation increase and the expected long-term rates of return on plan assets are determined as of the measurement date. A discount rate reflects a rate at which pension benefits could be effectively settled. It is established and based primarily on a study based on the Citigroup Pension Liability index, and a review of the current yields reported by Moody s on AA corporate bonds or the yields of high-quality fixed-income investments available and expected to be available during the life of the plans. The rate of compensation increase is dependent on expected future compensation levels. The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The expected long-term rate of return on plan assets is based on what is achievable given the plan s investment policy, the types of assets held and the target asset allocation. The expected long-term rate of return is determined as of the measurement date. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on input from its actuaries, outside investment advisors and information as to assumptions used by plan sponsors.

Changes in any of the assumptions can have an impact on the net periodic pension cost or postretirement benefit cost. Estimated sensitivities to the net periodic pension cost of a 0.25% rate decrease in the three basic assumptions are as follows: the discount rate would increase expense by approximately $7.6 million; the rate of compensation increase would decrease expense by approximately $4.4 million; and the estimated return on assets assumption would increase expense by approximately $5.8 million. A 0.25% rate decrease in the discount rate for postretirement benefits would increase net periodic postretirement benefit cost by $1.0 million and a 1.0% increase in the health-care cost trend rate would increase the cost by approximately $1.8 million.

The preparation of financial statements includes the use of estimates and assumptions that affect a number of amounts included in the Company s consolidated financial statements. If actual amounts are ultimately different from previous estimates, the revisions are included in the Company s results for the period in which the actual amounts become known. Historically, the aggregate differences, if any, between the Company s estimates and actual amounts in any year have not had a material impact on the consolidated financial statements.

Recently Adopted Accounting Pronouncements:

Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), Share-Based Payment, (SFAS 123(R)) using the modified prospective method of adoption. SFAS 123(R) requires companies to recognize compensation expense for an amount equal to the fair value of the share-based payment issued. Under the modified prospective method, financial statement amounts for prior periods have not been restated to reflect the fair value method of recognizing compensation cost relating to stock options.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R) (SFAS 158). SFAS 158 requires an entity to recognize in its balance sheet the funded status of its defined benefit pension and postretirement plans. The standard also requires an entity to recognize

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changes in the funded status within Accumulated other comprehensive income, net of tax, to the extent such changes are not recognized in earnings as components of periodic net benefit cost.

SFAS 158 also requires an entity to measure its defined benefit plan assets and benefit obligations as of the date of the employer s fiscal year-end statement of financial position. The measurement date provisions of SFAS 158 are effective for the Company for the fiscal year ending December 31, 2008. The Company has adopted the measurement provisions of SFAS 158, which resulted in an after-tax charge to Retained earnings in the amount of $3.7 million ($6.5 million pre-tax) in 2008.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The SEC staff believes that registrants should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 is effective for the Company for the fiscal year ended December 31, 2006. SAB 108 did not have a material impact on the Company s financial statements.

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109 (FIN 48), which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. As a result of adopting FIN 48 as of January 1, 2007, the Company recorded additional liabilities to its previously established reserves, and corresponding decrease in Retained earnings of $145.6 million.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 establishes a framework for measuring fair value that is based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information to develop those assumptions. Additionally, the standard expands the disclosures about fair value measurements to include disclosing the fair value measurements of assets or liabilities within each level of the fair value hierarchy. SFAS 157 is effective for the Company starting on January 1, 2008. Refer to Note 23 in the consolidated financial statements for a full discussion on SFAS 157.

Effective February 12, 2008, the Company adopted FASB Staff Position (FSP) No. 157-2, Effective Date of FASB Statement No. 157 (FSP SFAS 157-2). This FSP delays the effective date of SFAS 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Due to the deferral, the Company has delayed its implementation of SFAS 157 provisions on the fair value of goodwill, indefinite-lived intangible assets and nonfinancial long-lived assets and liabilities.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 permits companies the option, at specified election dates, to measure financial assets and liabilities at their current fair value, with the corresponding changes in fair value from period to period recognized in the income statement. Additionally, SFAS 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. SFAS 159 is effective for the Company starting on January 1, 2008. As of December 31, 2008, the Company has not elected the option available under SFAS 159.

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Recently Issued Accounting Pronouncements:

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, (SFAS 141 (R)). This statement addresses financial accounting and reporting for business combinations and supersedes SFAS 141, Business Combinations. SFAS 141(R) retains the fundamental requirements set forth in SFAS 141 regarding the purchase method of accounting, but expands the guidance in order to properly recognize and measure, at fair value, the identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquired business. In addition, the statement introduces new accounting guidance on how to recognize and measure contingent consideration, contingencies, acquisition and restructuring costs. SFAS 141(R) is effective for acquisitions occurring after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No 51. It clarifies that a noncontrolling interest in a subsidiary represents an ownership interest that should be reported as equity in the consolidated financial statements. In addition, the statement requires expanded income statement presentation and disclosures that clearly identify and distinguish between the interests of the Company and the interests of the non-controlling owners of the subsidiary. SFAS 160 is effective for the Company starting on January 1, 2009. The Company is currently evaluating the impact of adopting SFAS 160 on its financial statements; however, the Company does not expect the impact to the consolidated financial statements to be material.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of SFAS No. 133. This statement amends and expands the disclosure requirements of SFAS 133, Accounting for Derivative Instruments and Hedging Activities. It requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for the Company starting on January 1, 2009. The Company is currently evaluating the impact of adopting SFAS 161 on its financial statements; however, the Company does not expect the impact to the consolidated financial statements to be material.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This pronouncement did not have a material impact on its financial statements.

In November 2008, the SEC issued for comment a proposed roadmap for the potential use by U.S. issuers of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). IFRS is a comprehensive series of accounting standards published by the International Accounting Standards Board (IASB). Under the proposed roadmap, we could be required, in 2014, to prepare financial statements in accordance with IFRS. The SEC will make a determination in 2011 regarding the mandatory adoption of IFRS. We are currently assessing the impact that this potential change would have on our consolidated financial statements, and we will continue to monitor the development of the potential implementation of IFRS.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to fluctuations in non-U.S. currency exchange rates, interest rates and commodity prices which could impact our results of operations and financial condition. To manage certain of those exposures, we use derivative instruments, primarily forward contracts. Derivative instruments utilized by us in our hedging activities are viewed as risk management tools, involve little complexity and are not used for trading or speculative purposes. To minimize the risk of counter party non-performance, derivative instrument agreements are made only through major financial institutions with significant experience in such derivative instruments.

Foreign Currency Exposures

We have operations throughout the world that manufacture and sell their products in various international markets. As a result, we are exposed to movements in exchange rates of various currencies against the U.S. dollar as well as against other currencies throughout the world. We actively manage the currency exposures that are associated with non-U.S. currency purchases and sales and other assets and liabilities at the operating unit level. Exposures that cannot be naturally offset within an operating unit to an insignificant amount are hedged with foreign currency derivatives. We also have non-U.S. currency net asset exposures, which we currently do not hedge with any derivative instrument.

We evaluate our exposure to changes in currency exchange rates using a sensitivity analysis. The sensitivity analysis is a measurement of the potential gain or loss in fair value based on a percentage increase or decrease in exchange rates against the U.S. dollar. Based on the firmly committed currency derivative instruments in place at December 31, 2008, a hypothetical change in fair value of those derivative instruments assuming a 10% increase in exchange rates against the U.S. dollar would result in an unrealized gain of approximately $23.9 million, as compared with an unrealized gain of $17.2 million at December 31, 2007. These amounts would be offset by changes in the fair value of the underlying currency transactions.

As a result of the Trane acquisition we are exposed to exchange rate cash flow risks related to interest payments on debt that is denominated in Pound Sterling. We evaluate our exposure to changes in the Pound Sterling using a sensitivity analysis. Based on the cross currency swap in place at December 31, 2008, a hypothetical change in fair value of the swap assuming a 10% increase in exchange rates against the US Dollar would result in an unrealized gain of approximately $9.3 million. These amounts would be offset by changes in the fair value of the underlying debt transaction.

Commodity Price Exposures

We are exposed to volatility in the prices of raw materials used in some of our products and use both fixed price contracts and in limited circumstances, derivative contracts, to manage this exposure. We evaluate our exposure to changes in commodity prices using a sensitivity analysis. The sensitivity analysis is a measurement of the potential gain or loss in fair value based on a percentage increase or decrease in commodity prices. Based on the firmly committed commodity derivative instruments in place at December 31, 2008, a hypothetical change in fair value of those derivative instruments assuming a 10% decrease in commodity prices would result in a loss of approximately $1.0 million, as compared with an unrealized loss of $2.4 million at December 31, 2007. These amounts would be offset by changes in the fair value of underlying the commodity transactions.

Interest Rate Exposure

Our long-term debt portfolio mainly consists of fixed-rate instruments. However, we are active in the commercial paper markets. These markets, by their terms, have a maturity of less than a year. As such, we are exposed to interest rate risk. In addition, we have borrowings up to $754 million as of December 31, 2008 under our senior unsecured bridge loan facility. The borrowing cost is LIBOR plus a spread. As LIBOR fluctuates, our cost for the borrowing under the facility will also fluctuate.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) The following consolidated financial statements and the report thereon of PricewaterhouseCoopers LLP dated February 27, 2009, are presented following Item 15 of this Annual Report on Form 10-K.

Consolidated Financial Statements:

Report of independent registered public accounting firm

Consolidated statements of income for the years ended December 31, 2008, 2007 and 2006

Consolidated balance sheets at December 31, 2008 and 2007

For the years ended December 31, 2008, 2007 and 2006:

Consolidated statements of shareholders equity

Consolidated statements of cash flows

Notes to consolidated financial statements

Financial Statement Schedule:

Consolidated schedule for the years ended December 31, 2008, 2007 and 2006:

Schedule II Valuation and Qualifying Accounts

(b) The unaudited quarterly financial data for the two years ended December 31, is as follows:

In millions, except per share amounts	2008			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 2,163.3	$ 3,080.8	$ 4,313.2	$ 3,670.0
Cost of goods sold	(1,540.9)	(2,196.1)	(3,209.4)	(2,801.6)
Operating income (loss)	247.0	361.6	347.4	(3,529.8)
Net earnings (loss)	181.6	256.1	227.7	(3,290.2)
Earnings (loss) per common share:				
Basic	$ 0.66	$ 0.89	$ 0.71	$ (10.27)
Diluted	$ 0.66	$ 0.88	$ 0.70	$ (10.27)
	2007			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues	$ 1,976.2	$ 2,224.6	$ 2,239.0	$ 2,323.3
Cost of goods sold	(1,416.0)	(1,589.7)	(1,608.2)	(1,658.1)

Operating income	208.6	274.1	276.3	298.8
Net earnings	217.5	964.1	266.6	2,518.5
Earnings per common share:				
Basic	$ 0.71	$ 3.21	$ 0.94	$ 9.23
Diluted	$ 0.70	$ 3.17	$ 0.92	$ 9.06

1. In the second quarter of 2007, basic and diluted earnings per common share included $2.25 and $2.22, respectively, related to the gain on sale of discontinued operations.
2. In the fourth quarter of 2007, basic and diluted earnings per common share included $9.48 and $9.30, respectively, related to the gain on sale of discontinued operations. In addition, basic and diluted earnings per common share included a charge of $1.02 and $1.00, respectively relating to asbestos matters for a previously divested business of the Company.
3. 2008 amounts include the results of Trane since the acquisition date (June 5, 2008 through December 31, 2008).
4. The fourth quarter of 2008 includes a one-time, non-cash charge of $3,710.0 million ($3,385.0 after-tax) related to the impairment of assets.

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Item 9. CHANGES IN AND DISAGREEMENTS WITH INDEPENDENT ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company s management, including its Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of December 31, 2008, that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this Annual Report on Form 10-K has been recorded, processed, summarized and reported when required and the information is accumulated and communicated, as appropriate, to allow timely decisions regarding required disclosure.

Management s Report on Internal Control Over Financial Reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined under Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management has assessed the effectiveness of internal control over financial reporting as of December 31, 2008. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in *Internal Control Integrated Framework.* Management concluded that based on its assessment, the Company s internal control over financial reporting was effective as of December 31, 2008.

The effectiveness of the Company s internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company s internal controls over financial reporting during the quarter ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

The information called for by Part III (Items 10, 11, 12, and 13) of Form 10-K will be included in the Company s Proxy Statement for the Company s 2008 Annual General Meeting of Shareholders, which the Company intends to file within 120 days after the close of its fiscal year ended December 31, 2008 and is hereby incorporated by reference to such Proxy Statement, except that the information as to the Company s executive officers which follows Item 4 in this Annual Report on Form 10-K, is incorporated by reference into Items 10 and 12, respectively, of this Report.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the information contained under the caption Audit and Non-Audit Fees in our 2008 Proxy Statement.

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PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULE

(a) 1. and 2.	Financial statements and financial statement schedule
	See Item 8.
3.	Exhibits The exhibits listed on the accompanying index to exhibits are filed as part of this Annual Report on Form 10-K.

INGERSOLL-RAND COMPANY LIMITED

INDEX TO EXHIBITS

(Item 15(a))

Description

Pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), Ingersoll-Rand Company Limited (the Company) has filed certain agreements as exhibits to this Annual Report on Form 10-K. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

(a) Exhibits

Exhibit No.	Description	Method of Filing
2.1	Agreement and Plan of Merger, dated as of October 31, 2001, among Ingersoll-Rand Company Limited, Ingersoll-Rand Company and IR Merger Corporation	Incorporated by reference to Annex I to the proxy statement/prospectus included as part of the Company s Registration Statement on Form S-4 (File No. 333-71642) initially filed with the SEC on October 16, 2001 and subsequently amended on October 30, 2001.
2.2	Stock and Asset Purchase Agreement, dated as of October 16, 2002, between Ingersoll-Rand Company Limited, on behalf of itself and certain of its subsidiaries and The Timken Company, on behalf of itself and certain of its subsidiaries	Incorporated by reference to Exhibit 2.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on October 17, 2002.
2.3	Amendment to the Stock and Asset Purchase Agreement, dated as of February 18, 2003, amending the Stock Purchase Agreement, dated as of October 16, 2002, between Ingersoll-Rand Company Limited, on behalf of itself and certain of its subsidiaries and The Timken Company, on behalf of itself and certain of its subsidiaries	Incorporated by reference to Exhibit 2 to the Company s Schedule 13D (File No. 005-10450) filed with the SEC on February 28, 2003.

2.4	Equity Purchase Agreement between FRC Acquisition LLC, on behalf of itself and the other buyers named therein, and Ingersoll-Rand Company Limited, on behalf of itself and the other sellers named therein, dated August 25, 2004, in connection with the divestiture of Dresser-Rand	Incorporated by reference to Exhibit 2.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on August 26, 2004.
2.5	Asset and Stock Purchase Agreement, dated as of February 27, 2007, among Ingersoll-Rand Company limited, on behalf of itself and the other sellers named therein, and AB Volvo (publ), on behalf of itself and the other buyers named therein	Incorporated by reference to Exhibit 2.01 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on February 28, 2007.
2.6	Asset and Stock Purchase Agreement, dated as of July 29, 2007, among Ingersoll-Rand Company Limited, on behalf of itself and certain of its subsidiaries, and Doosan Infracore Co., Ltd. and Doosan Engine Co., Ltd., on behalf of themselves and certain of their subsidiaries	Incorporated by reference to Exhibit 2.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on July 31, 2007.
2.7	Agreement and Plan of Merger, dated as of December 15, 2007, among the Company, Indian Merger Sub, Inc. and Trane Inc.	Incorporated by reference to Exhibit 2.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on December 17, 2007.
2.8	Separation and Distribution Agreement, dated as of July 16, 2007, by and between American Standard Companies Inc. and WABCO Holdings Inc.	Incorporated by reference to Exhibit 2.1 to Trane Inc. s Form 8-K (File No. 001-11415) filed with the SEC on July 20, 2007.
3.1	Memorandum of Association of Ingersoll-Rand Company Limited	Incorporated by reference to Annex II to the proxy statement/prospectus included as part of the Company s Registration Statement on Form S-4 (File No. 333-71642) initially filed with the SEC on October 16, 2001 and subsequently amended on October 30, 2001.
3.2	Amended and Restated Bye-Laws of Ingersoll-Rand Company Limited, dated June 4, 2008	Filed herewith.

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4.1	Certificate of Designation, Preferences and Rights of Series A Preference Shares of Ingersoll-Rand Company Limited	Incorporated by reference to Exhibit 4.1 to the Company s Amendment No. 1 to the Registration Statement on Form S-4 (File No. 333-71642) filed with the SEC on October 30, 2001.
4.2	Rights Agreement between Ingersoll-Rand Company Limited and The Bank of New York, as Rights Agent (expired in December 2008)	Incorporated by reference to Exhibit 4.2 to the Company s Amendment No. 1 to the Registration Statement on Form S-4 (File No. 333-71642) filed with the SEC on October 30, 2001.
4.3	Voting Agreement between Ingersoll-Rand Company Limited and Ingersoll-Rand Company	Incorporated by reference to Exhibit 4.3 to the Company s Amendment No. 1 to the Registration Statement on Form S-4 (File No. 333-71642) filed with the SEC on October 30, 2001.
4.4	Indenture, dated as of August 12, 2008, among the Company, Ingersoll-Rand Global Holding Company Limited and Wells Fargo Bank, N.A., as Trustee (replacing the Indenture originally filed as Exhibit 4.1 to the Company s Form 10-Q (File No. 001-16831) for the period ended September 30, 2008 as filed with the SEC on 11/07/2008)	Filed herewith.
4.5	First Supplemental Indenture, dated as of August 15, 2008, among the Company, Ingersoll-Rand Global Holding Company Limited and Wells Fargo Bank, N.A., as Trustee, to the Indenture	Incorporated by reference to Exhibit 1.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on August 18, 2008.
4.6	Form of 6.0% Senior Notes due 2013	Included as part of Exhibit 4.2.
4.7	Form of Guarantee to 6.0% Senior Notes due 2013	Included as part of Exhibit 4.2.
4.8	Form of 6.875% Senior Notes due 2018	Included as part of Exhibit 4.2.
4.9	Form of Guarantee to 6.875% Senior Notes due 2018	Included as part of Exhibit 4.2.
4.10	Form of Senior Floating Rate Notes due 2010	Included as part of Exhibit 4.2.
4.11	Form of Guarantee to Senior Floating Rate Notes due 2010	Included as part of Exhibit 4.2.

4.12	The Company and its subsidiaries are parties to several long-term debt instruments under which in each case the total amount of securities authorized does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis.	Pursuant to paragraph 4(iii) of Item 601(b) of Regulation S-K, the Company agrees to furnish a copy of such instruments to the SEC upon request.
10.1	Issuing and Paying Agency Agreement among Ingersoll-Rand Global Holding Company Limited, Ingersoll-Rand Company Limited and JPMorgan Chase Bank, National Association, dated as of May 22, 2008	Incorporated by reference to Exhibit 10.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on May 29, 2008.
10.2	Commercial Paper Dealer Agreement among Ingersoll-Rand Global Holding Company Limited, Ingersoll-Rand Company Limited and J.P. Morgan Securities Inc., dated as of May 22, 2008	Incorporated by reference to Exhibit 10.2 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on May 29, 2008.
10.3	Commercial Paper Dealer Agreement among Ingersoll-Rand Global Holding Company Limited, Ingersoll-Rand Company Limited and Banc of America Securities LLC, dated as of May 22, 2008	Incorporated by reference to Exhibit 10.3 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on May 29, 2008.
10.4	Commercial Paper Dealer Agreement among Ingersoll-Rand Global Holding Company Limited, Ingersoll-Rand Company Limited and Citigroup Global Markets Inc., dated as of May 22, 2008	Incorporated by reference to Exhibit 10.4 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on May 29, 2008.
10.5	Commercial Paper Dealer Agreement among Ingersoll-Rand Global Holding Company Limited, Ingersoll-Rand Company Limited and Deutsche Bank Securities Inc., dated as of May 22, 2008	Incorporated by reference to Exhibit 10.5 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on May 29, 2008.
10.6	Credit Agreement, dated as of June 25, 2004, among Ingersoll-Rand Company and Ingersoll-Rand Company Limited, the banks listed therein, The JPMorgan Chase Bank, as Administrative Agent, Citibank N.A., and Deutsche Bank Securities Inc., as Co-Syndication Agents, and The Bank of Tokyo-Mitsubishi, Ltd, as Documentation Agent, and J.P. Morgan Securities Inc., as Lead Arranger and Bookrunner	Incorporated by reference to Exhibit 4.8 to the Company s Form 10-K for the fiscal year ended December 31, 2004 (File No. 001-16831) filed with the SEC on March 16, 2005.

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10.7	Credit Agreement dated as of August 12, 2005, among Ingersoll-Rand Company and Ingersoll-Rand Company Limited, the banks listed therein, and Citicorp USA, Inc., as Syndication Agent, and Bank of America, N.A., Deutsche Bank Securities Inc., The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and UBS Securities LLC, as Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Securities Inc. and Citigroup Global Markets Inc., as Lead Arrangers and Bookrunners	Incorporated by reference to Exhibit 4.6 to the Company s Form 10-K for the fiscal year ended December 31, 2005 (File No. 001-16831) filed with the SEC on March 1, 2006.
10.8	Credit Agreement, dated as of June 5, 2008, among Ingersoll-Rand Company Limited; Ingersoll-Rand Global Holding Company Limited; JPMorgan Chase Bank, N.A., as administrative agent; Credit Suisse Securities (USA) LLC and Goldman Sachs Credit Partners L.P., as syndication agents; J.P. Morgan Securities Inc., Credit Suisse Securities (USA) LLC and Goldman Sachs Credit Partners L.P., as joint lead arrangers and joint bookrunners; and the lending institutions from time to time parties thereto	Incorporated by reference to Exhibit 10.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on June 5, 2008.
10.9	Credit Agreement, dated as of June 27, 2008, among Ingersoll-Rand Company Limited; Ingersoll-Rand Global Holding Company Limited; J.P. Morgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A., as Syndication Agent, Bank of America, N.A., Deutsche Bank Securities Inc., The Bank of Tokyo Mitsubishi, Ltd., New York Branch, BNP Paribas and William Street LLC, as Documentation Agents, and J.P. Morgan Securities Inc. and Citigroup Global Markets Inc., as joint lead arrangers and joint bookrunners; and certain lending institutions from time to time parties thereto	Incorporated by reference to Exhibit 10.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on June 30, 2008.
10.10	Steven R. Shawley Offer Letter, dated June 5, 2008	Incorporated by reference to Exhibit 10.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on June 10, 2008.

10.11	Addendum to Steven R. Shawley Offer Letter, dated August 7, 2008	Incorporated by reference to Exhibit 10.9 to the Company s Form 10-Q for the period ended June 30, 2008 (File No. 001-16831) filed with the SEC on August 8, 2008.
10.12	David R. Pannier Offer Letter, dated April 7, 2008	Incorporated by reference to Exhibit 10.3 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on June 10, 2008.
10.13	Didier Teirlinck Offer Letter, dated June 5, 2008	Incorporated by reference to Exhibit 10.4 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on June 10, 2008.
10.14	Addendum to Didier Teirlinck Offer Letter, dated July 17, 2008	Incorporated by reference to Exhibit 10.13 to the Company s Form 10-Q for the period ended June 30, 2008 (File No. 001-16831) filed with the SEC on August 8, 2008.
10.15	Steven B. Hochhauser Offer Letter, dated June 6, 2008 (as revised on June 10, 2008)	Incorporated by reference to Exhibit 10.14 to the Company s Form 10-Q for the period ended June 30, 2008 (File No. 001-16831) filed with the SEC on August 8, 2008.
10.16	Richard J. Weller Offer Letter dated September 8, 2008	Incorporated by reference to Exhibit 10.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on September 10, 2008.
10.17	Management Incentive Unit Plan of Ingersoll-Rand Company. Amendment to the Management Incentive Unit Plan, effective January 1, 1982. Amendment to the Management Incentive Unit Plan, effective January 1, 1987. Amendment to the Management Incentive Unit Plan, effective June 3, 1987	Incorporated by reference to Ingersoll-Rand Company s Form 10-K for the fiscal year ended December 31, 1993 (File No. 1-985) filed with the SEC on March 30, 1994.
10.18	Reorganization Amendment to Management Incentive Unit Plan dated December 31, 2001	Incorporated by reference to Exhibit 10.2 to the Company s Form 10-K for the fiscal year ended December 31, 2001 (File No. 001-16831) filed with the SEC on March 31, 2002.

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10.19	Amendment to the Ingersoll-Rand Company Management Incentive Unit Plan dated December 22, 2008	Filed herewith.
10.20	Description of Annual Incentive Arrangements for Chairman, President, Sector Presidents and other Staff Officers of Ingersoll-Rand Company Limited	Incorporated by reference to Exhibit 10.10 to the Company s Form 10-K for the fiscal year ended December 31, 2005 (File No. 001-16831) filed with the SEC on March 1, 2006.
10.21	Description of Performance Share Program for Chairman, President and Chief Executive Officer and the other Participants of Ingersoll-Rand Company Limited	Incorporated by reference to Exhibit 10.4 to the Company s Form 10-K for the fiscal year ended December 31, 2007 (File No. 001-16831) filed with the SEC on February 29, 2008.
10.22	Form of Change in Control Agreement with Tier 1 Officers of Ingersoll-Rand Company Limited, dated as of December 1, 2006	Incorporated by reference to Exhibit 99.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on December 4, 2006.
10.23	Form of Change in Control Agreement with Tier 2 Officers of Ingersoll-Rand Company Limited, dated as of December 1, 2006	Incorporated by reference to Exhibit 99.2 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on December 4, 2006.
10.24	Executive Supplementary Retirement Agreement for selected executive officers of Ingersoll- Rand Company	Incorporated by reference to Ingersoll-Rand Company s Form 10-K for the fiscal year ended December 31, 1993 (File No. 1-985) filed with the SEC on March 30, 1994.
10.25	Executive Supplementary Retirement Agreement for selected executive officers of Ingersoll- Rand Company	Incorporated by reference to Ingersoll-Rand Company s Form 10-K for the fiscal year ended December 31, 1996 (File No. 1-985) filed with the SEC on March 26, 1997.
10.26	Amendment to Executive Supplementary Retirement Agreement dated December 22, 2008	Filed herewith.

10.27	Forms of insurance and related letter agreements with certain executive officers of Ingersoll-Rand Company	Incorporated by reference to Ingersoll-Rand Company s Form 10-K for the fiscal year ended December 31, 1993 (File No. 1-985) filed with the SEC on March 30, 1994.
10.28	Ingersoll-Rand Company Supplemental Pension Plan (Amended and Restated Effective January 1, 2005)	Filed herewith.
10.29	Ingersoll-Rand Company Supplemental Pension Plan II (Effective January 1, 2005)	Filed herewith.
10.30	Ingersoll-Rand Company Supplemental Employee Savings Plan (Amended and Restated Effective January 1, 2009)	Filed herewith.
10.31	Ingersoll-Rand Company Supplemental Employee Savings Plan II (Effective January 1, 2005 and Amended and Restated through January 1, 2009)	Filed herewith.
10.32	Incentive Stock Plan of 1995 (as amended)	Incorporated by reference to Exhibit 4.7 to the Company s Registration Statement on Form S-8 (File No. 333-130047) filed with the SEC on December 1, 2005.
10.33	Senior Executive Performance Plan	Incorporated by reference to Appendix A to Ingersoll-Rand Company s Notice of 2000 Annual Meeting of Shareholders and Proxy Statement of Ingersoll-Rand Company dated March 7, 2000.
10.34	Amended and Restated Elected Officers Supplemental Plan, dated December 31, 2004	Incorporated by reference to Exhibit 10.24 to the Company s Form 10-K for the fiscal year ended December 31, 2004 (File No. 001-16831) filed with the SEC on March 16, 2005.
10.35	Amendment, dated February 1, 2006, to Amended and Restated Elected Officers Supplemental Plan, dated December 31, 2004	Incorporated by reference to Exhibit 10.25 to the Company s Form 10-K for the fiscal year ended December 31, 2005 (File No. 001-16831) filed with the SEC on March 1, 2006.

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10.36	Ingersoll-Rand Company Elected Officers Supplemental Program II (Effective January 1, 2005 and Amended and Restated through January 1, 2009)	Filed herewith.
10.37	Herbert L. Henkel Letter, dated February 4, 2009, relating to his benefits under the Ingersoll-Rand Company Elected Officers Supplemental Program II	Filed herewith.
10.38	Amended and Restated Incentive Stock Plan of 1998	Incorporated by reference to Exhibit 4.9 to the Company s Registration Statement on Form S-8 (File No. 333-130047) filed with the SEC on December 1, 2005.
10.39	Amendment to the Ingersoll-Rand Company Limited Amended and Restated Incentive Stock Plan of 1998, dated December 7, 2005	Incorporated by reference to Exhibit 4.1 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on December 9, 2005.
10.40	Composite Employment Agreement with Chief Executive Officer	Incorporated by reference to Ingersoll-Rand Company s Form 10-K for the fiscal year ended December 31, 1999 (File No. 1-985) filed with the SEC on March 30, 2000.
10.41	Employment Agreement with Michael Lamach, Senior Vice President	Incorporated by reference to Exhibit 10.35 to the Company s Form 10-K for the fiscal year ended December 31, 2003 (File No. 001-16831) filed with the SEC on February 27, 2004.
10.42	Michael W. Lamach Addendum, dated June 4, 2008	Incorporated by reference to Exhibit 10.2 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on 06/10/2008.
10.43	Michael W. Lamach Letter, dated February 4, 2009	Filed herewith.
10.44	Employment Agreement with James R. Bolch, Senior Vice President	Incorporated by reference to Exhibit 10.40 to the Company s Form 10-K for the fiscal year ended December 31, 2005 (File No. 001-16831) filed with the SEC on March 1, 2006.

10.45	Addendum, dated December 8, 2005, to Employment Agreement with James R. Bolch	Incorporated by reference to Exhibit 10.41 to the Company s Form 10-K for the fiscal year ended December 31, 2005 (File No. 001-16831) filed with the SEC on March 1, 2006.
10.46	Amended and Restated Estate Enhancement Program, dated June 1, 1998, and the related form agreements	Incorporated by reference to Exhibit 10.1 to the Company s Form 10-Q for the period ended March 31, 2006 (File No. 001-16831) filed with the SEC on May 5, 2006.
10.47	First Amendment to the Amended and Restated Estate Enhancement Program, dated December 31, 2001	Incorporated by reference to Exhibit 10.2 to the Company s Form 10-Q for the period ended March 31, 2006 (File No. 001-16831) filed with the SEC on May 5, 2006.
10.48	Employment Agreement with William Gauld, Senior Vice President, dated September 7, 2006	Incorporated by reference to Exhibit 10.44 to the Company s Form 10-K for the fiscal year ended December 31, 2006 (File No. 001-16831) filed with the SEC on March 1, 2007.
10.49	Employment Agreement with Marcia J. Avedon, Senior Vice President, dated January 8, 2007	Incorporated by reference to Exhibit 10.45 to the Company s Form 10-K for the fiscal year ended December 31, 2006 (File No. 001-16831) filed with the SEC on March 1, 2007.
10.50	Ingersoll-Rand Company Limited Incentive Stock Plan of 2007	Incorporated by reference to Exhibit 4.7 to the Company s Registration Statement on Form S-8 (File No. 333-143716) filed with the SEC on June 13, 2007.
10.51	IR-Limited Director Deferred Compensation Plan and Stock Award Plan, as amended and restated effective January 1, 2009	Filed herewith.
10.52	IR-Limited Director Deferred Compensation Plan and Stock Award Plan II, as amended and restated effective January 1, 2009	Filed herewith.
10.53	IR Executive Deferred Compensation Plan, as amended and restated effective January 1, 2009	Filed herewith

10.54	Executive Deferred Compensation Plan II, as amended and restated effective January 1, 2009	Filed herewith.
10.55	Form of IR Stock Option Grant Agreement	Filed herewith.
10.56	Form of IR Restricted Share Unit Grant Agreement	Filed herewith.
10.57	Form of IR Performance Share Unit Grant Agreement (for performance years 2009-2010)	Filed herewith.
10.58	Form of IR Performance Share Unit Grant Agreement (for performance years 2009-2011)	Filed herewith.
10.59	Deferred Prosecution Agreement between Ingersoll-Rand Company Limited and the United States Department of Justice, Criminal Division, Fraud Section filed as of October 31, 2007	Incorporated by reference to Exhibit 99.2 to the Company s Form 8-K (File No. 001-16831) filed with the SEC on November 1, 2007.
10.60	Trane Inc. 2002 Omnibus Incentive Plan	Incorporated by reference to Exhibit 4.1 to the Company s Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement on Form S-4 (File No. 333-149537) filed with the SEC on June 12, 2008.
10.61	Trane Inc. Stock Incentive Plan	Incorporated by reference to Exhibit 4.2 to the Company s Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement on Form S-4 (File No. 333-149537) filed with the SEC on June 12, 2008.
10.62	Trane Inc. Deferred Compensation Plan	Incorporated by reference to Exhibit 4.5 to the Company s Registration Statement on Form S-8 (File No. 333-151607) filed with the SEC on June 12, 2008.
10.63	Trane Inc. Supplemental Savings Plan (restated to include all amendments through June 5, 2008)	Incorporated by reference to Exhibit 10.18 to the Company s Form 10-Q for the period ended June 30, 2008 (File No. 001-16831) filed with the SEC on August 8, 2008.

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10.64	Trane Inc. Executive Supplemental Retirement Benefit Program (restated to include all amendments through December 6, 2007)	Incorporated by reference to Exhibit 10.9 to Trane Inc. s Form 10-K for the fiscal year ended December 31, 2007 (File No. 001-11415) filed with the SEC on February 20, 2008.
10.65	Trane Inc. Corporate Officer Severance Plan (restated to include all amendments through December 6, 2007)	Incorporated by reference to Exhibit 10.12 to Trane Inc. s Form 10-K for the fiscal year ended December 31, 2007 (File No. 001-11415) filed with the SEC on February 20, 2008.
10.66	Addendum to Trane Inc. Stock Incentive Plan to comply with local regulations in the United Kingdom with respect to options granted in that country	Incorporated by reference to Exhibit (10)(xii) to Trane Inc. s Form 10-K for the fiscal year ended December 31, 1999 (File No. 001-11415) filed with the SEC on March 30, 2000.
10.67	Addendum to Trane Inc. Stock Incentive Plan revised to comply with local regulations in France with respect to options granted in that country	Incorporated by reference to Exhibit (10)(xiii) to Trane Inc. s Form 10-K for the fiscal year ended December 31, 1999 (File No. 001-11415) filed with the SEC on March 30, 2000.
10.68	Second Addendum for French Participants to Trane Inc. Stock Incentive Plan in governing options granted to participants in France on or after May 16, 2001	Incorporated by reference to Exhibit (10)(xix) to Trane Inc. s Form 10-K for the fiscal year ended December 31, 2002 (File No. 001-11415) filed with the SEC on March 14, 2003.
10.69	Addendum to Trane Inc. Stock Incentive Plan for Canadian participants to comply with local regulation in Canada with respect to options granted in that country	Incorporated by reference to Exhibit 10.2 to Trane Inc. s Form 10-Q for the period ended June 30, 2004 (File No. 001-11415) filed with the SEC on July 29, 2004.
10.70	Form of Trane Stock Option Agreement for U.S. Employees	Incorporated by reference to Exhibit 10.39 to Trane Inc. s Form 10-K for the fiscal year ended December 31, 2005 (File No. 001-11415) filed with the SEC on February 24, 2006.
10.71	Form of Trane Stock Option Agreement for Non-U.S. Employees	Incorporated by reference to Exhibit 10.40 to Trane Inc. s Form 10-K for the fiscal year ended December 31, 2005 (File No. 001-11415) filed with the SEC on February 24, 2006.

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10.72	Tax Sharing Agreement, dated as of July 16, 2007, by and among American Standard Companies Inc. and certain of its subsidiaries and WABCO Holdings Inc. and certain of its subsidiaries	Incorporated by reference to Exhibit 10.1 to Trane Inc. s Form 8-K (File No. 001-11415) filed with the SEC on July 20, 2007.
10.73	Transition Services Agreement, dated as of July 16, 2007, by and between American Standard Companies Inc. and WABCO Holdings Inc.	Incorporated by reference to Exhibit 10.2 to Trane Inc. s Form 8-K (File No. 001-11415) filed with the SEC on July 20, 2007.
10.74	Employee Matters Agreement, dated as of July 16, 2007, by and between American Standard Companies Inc. and WABCO Holdings Inc.	Incorporated by reference to Exhibit 10.3 to Trane Inc. s Form 8-K (File No. 001-11415) filed with the SEC on July 20, 2007.
10.75	Indemnification and Cooperation Agreement, dated as of July 16, 2007, by and among American Standard Companies Inc. and certain of its subsidiaries and WABCO Holdings Inc. and certain of its subsidiaries	Incorporated by reference to Exhibit 10.4 to Trane Inc. s Form 8-K (File No. 001-11415) filed with the SEC on July 20, 2007.
12	Computations of Ratios of Earnings to Fixed Charges	Filed herewith.
21	List of Subsidiaries of Ingersoll-Rand Company Limited	Filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith.
23.2	Consent of Analysis, Research & Planning Corporation	Filed herewith.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
32	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INGERSOLL-RAND COMPANY LIMITED

(Registrant)

By: /S/ Herbert L. Henkel
(Herbert L. Henkel)

Chief Executive Officer
Date: February 27, 2009

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ Herbert L. Henkel (Herbert L. Henkel)	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2009
/S/ Steven R. Shawley (Steven R. Shawley)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 27, 2009
/S/ Richard J. Weller (Richard J. Weller)	Vice President and Controller (Principal Accounting Officer)	February 27, 2009
/S/ Ann C. Berzin (Ann C. Berzin)	Director	February 27, 2009
/S/ Jared L. Cohon (Jared L Cohon)	Director	February 27, 2009
/S/ Gary D. Forsee (Gary D. Forsee)	Director	February 27, 2009
/S/ Peter C. Godsoe (Peter C. Godsoe)	Director	February 27, 2009
/S/ Edward E. Hagenlocker	Director	February 27, 2009

(Edward E. Hagenlocker)		
/S/ Constance Horner		
(Constance Horner)	Director	February 27, 2009
/S/ H. William Lichtenberger		
(H. William Lichtenberger)	Director	February 27, 2009
/S/ Theodore E. Martin		
(Theodore E. Martin)	Director	February 27, 2009
/S/ Patricia Nachtigal		
(Patricia Nachtigal)	Director	February 27, 2009
/S/ Orin R. Smith		
(Orin R. Smith)	Director	February 27, 2009
/S/ Richard J. Swift		
(Richard J. Swift)	Director	February 27, 2009
/S/ Tony L. White		
(Tony L. White)	Director	February 27, 2009

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INGERSOLL-RAND COMPANY LIMITED

Index to Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ingersoll-Rand Company Limited:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15 (a)(1) present fairly, in all material respects, the financial position of Ingersoll-Rand Company Limited and its subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15 (a)(2), presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company has changed the manner in which it accounts for uncertainty in income taxes effective January 1, 2007, and the manner in which it accounts for its defined benefit pension and other postretirement plans in 2006 and 2008.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey

February 27, 2009

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Ingersoll-Rand Company Limited

Consolidated Statements of Income

In millions, except per share amounts

For the years ended December 31,	2008	2007	2006
Net revenues	$ 13,227.4	$ 8,763.1	$ 8,033.7
Cost of goods sold	(9,748.1)	(6,272.0)	(5,768.4)
Selling and administrative expenses	(2,343.1)	(1,433.3)	(1,266.8)
Asset impairment	(3,710.0)	-	-
Operating income (loss)	(2,573.8)	1,057.8	998.5
Interest expense	(245.4)	(136.2)	(133.6)
Other, net	43.2	15.9	(7.3)
Earnings (loss) before income taxes	(2,776.0)	937.5	857.6
(Provision) benefit for income taxes	208.6	(204.4)	(92.6)
Earnings (loss) from continuing operations	(2,567.4)	733.1	765.0
Discontinued operations, net of tax	(57.4)	3,233.6	267.5
Net earnings (loss)	$ (2,624.8)	$ 3,966.7	$ 1,032.5
Basic earnings (loss) per common share:			
Continuing operations	$ (8.54)	$ 2.52	$ 2.39
Discontinued operations	(0.19)	11.12	0.84
Net earnings (loss)	$ (8.73)	$ 13.64	$ 3.23
Diluted earnings (loss) per common share:			
Continuing operations	$ (8.54)	$ 2.48	$ 2.37
Discontinued operations	(0.19)	10.95	0.83
Net earnings (loss)	$ (8.73)	$ 13.43	$ 3.20

See accompanying notes to consolidated financial statements.

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Ingersoll-Rand Company Limited

Consolidated Balance Sheets

In millions, except share amounts

December 31,	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 550.2	$ 4,735.3
Accounts and notes receivable, net	2,428.5	1,660.7
Inventories	1,615.1	827.2
Other current assets	805.9	477.5
Total current assets	5,399.7	7,700.7
Property, plant and equipment, net	1,968.5	904.9
Goodwill	6,620.1	3,993.3
Intangible assets, net	5,214.1	724.6
Other noncurrent assets	1,722.1	1,052.7
Total assets	$ 20,924.5	$ 14,376.2
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,046.5	$ 721.2
Accrued compensation and benefits	508.8	338.9
Accrued expenses and other current liabilities	1,605.7	1,434.6
Short-term borrowings and current maturities of long-term debt	2,350.4	741.0
Total current liabilities	5,511.4	3,235.7
Long-term debt	2,773.7	712.7
Postemployment and other benefit liabilities	1,865.5	941.9
Deferred income taxes	2,184.8	539.9
Other noncurrent liabilities	1,827.0	940.6
Minority interests	100.7	97.5
Shareholders equity:		
Class A common shares, $1 par value (370,813,037 and 370,035,087 shares issued at December 31, 2008 and 2007, respectively, and net of 52,020,439 and 97,421,234 shares owned by subsidiary at December 31, 2008 and 2007, respectively)	318.8	272.6
Capital in excess of par value	2,246.0	-
Retained earnings	4,547.4	7,388.8
Accumulated other comprehensive income (loss)	(450.8)	246.5
Total shareholders equity	6,661.4	7,907.9
Total liabilities and shareholders equity	$ 20,924.5	$ 14,376.2

See accompanying notes to consolidated financial statements.

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Ingersoll-Rand Company Limited

Consolidated Statements of Shareholders Equity

In millions, except per share amounts	Total shareholders equity	Common stock Amount	Common stock Shares	Capital in excess of par value	Retained earnings	Accumulated other comprehensive income (loss)	Comprehensive income
Balance at December 31, 2005	$ 5,761.9	$ 330.7	330.7	$ -	$ 5,558.8	$ (127.6)	
Net earnings	1,032.5	-	-	-	1,032.5	-	$ 1,032.5
Currency translation	258.8	-	-	-	-	258.8	258.8
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax of $0.8	(7.3)	-	-	-	-	(7.3)	(7.3)
Minimum pension liability adjustment, net of tax of $3.2	(9.2)	-	-	-	-	(9.2)	(9.2)
Total comprehensive income							$ 1,274.8
Adoption of FASB Statement No. 158, net of tax of $268.2	(472.8)	-	-	-	-	(472.8)	
Shares issued under incentive stock plans	111.2	3.8	3.8	107.4	-	-	
Repurchase of common shares by subsidiary	(1,096.3)	(27.7)	(27.7)	(151.0)	(917.6)	-	
Share-based compensation	43.6	-	-	43.6	-	-	
Cash dividends, declared and paid ($0.68 per share)	(217.6)	-	-	-	(217.6)	-	
Balance at December 31, 2006	5,404.8	306.8	306.8	-	5,456.1	(358.1)	
Adoption of FIN 48	(145.6)	-	-	-	(145.6)	-	
Net earnings	3,966.7	-	-	-	3,966.7	-	$ 3,966.7
Currency translation	411.9	-	-	-	-	411.9	411.9
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax of $1.7	(2.2)	-	-	-	-	(2.2)	(2.2)
Pension and OPEB adjustments, net of tax of $130.0	194.9	-	-	-	-	194.9	194.9
Total comprehensive income							$ 4,571.3
Shares issued under incentive stock plans	196.6	5.5	5.5	191.1	-	-	
Repurchase of common shares by subsidiary	(1,999.9)	(39.7)	(39.7)	(281.6)	(1,678.6)	-	
Share-based compensation	90.5	-	-	90.5	-	-	
Cash dividends, declared and paid ($0.72 per share)	(209.8)	-	-	-	(209.8)	-	
Balance at December 31, 2007	7,907.9	272.6	272.6	-	7,388.8	246.5	
Net loss	(2,624.8)	-	-	-	(2,624.8)	-	$ (2,624.8)
Currency translation	(238.8)	-	-	-	-	(238.8)	(238.8)
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax of $2.7	3.5	-	-	-	-	3.5	3.5
Pension and OPEB adjustments, net of tax of $254.8	(463.3)	-	-	-	-	(463.3)	(463.3)
Total comprehensive income							$ (3,323.4)
Effects of measurement date change pursuant to FASB Statement No. 158 service cost, interest cost and expected return on plan assets for December 1 - December 31, 2007, net of tax of $1.4	(2.4)	-	-	-	(2.4)	-	
Amortization of net transition obligation, prior service cost and net actuarial losses for December 1 - December 31, 2007, net of tax of $1.4	-	-	-	-	(1.3)	1.3	
Shares issued under incentive stock plans	32.0	0.8	0.8	31.2	-	-	
Repurchase of common shares by subsidiary	(2.0)	-	-	(2.0)	-	-	
Treasury shares issued as Trane merger consideration	2,035.1	45.4	45.4	1,989.7	-	-	
Conversion of Trane options to IR options	184.0	-	-	184.0	-	-	
Share-based compensation	43.1	-	-	43.1	-	-	
Cash dividends, declared and paid ($0.72 per share)	(212.9)	-	-	-	(212.9)	-	
Balance at December 31, 2008	$ 6,661.4	$ 318.8	318.8	$ 2,246.0	$ 4,547.4	$ (450.8)	

See accompanying notes to consolidated financial statements.

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Ingersoll-Rand Company Limited

Consolidated Statements of Cash Flows

In millions