Ingersoll-Rand plc
Form 10-Q
October 24, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-34400

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

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

170/175 Lakeview Dr.
Airside Business Park
Swords, Co. Dublin
Ireland
(Address of principal executive offices, including zip code)
+(353) (0) 18707400
(Registrant’s telephone number, including area code)

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ¨ NO x

The number of ordinary shares outstanding of Ingersoll-Rand plc as of October 12, 2018 was 245,656,287.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
In millions, except per share amounts	2018	2017	2018	2017
Net revenues	$4,030.9	$3,670.5	$11,773.1	$10,579.5
Cost of goods sold	(2,718.3)	(2,489.9)	(8,102.6)	(7,269.1)
Selling and administrative expenses	(725.6)	(674.5)	(2,199.8)	(2,031.7)
Operating income	587.0	506.1	1,470.7	1,278.7
Interest expense	(48.5)	(53.9)	(171.7)	(162.0)
Other income/(expense), net	(8.5)	(7.6)	(16.0)	(23.8)
Earnings before income taxes	530.0	444.6	1,283.0	1,092.9
Benefit (provision) for income taxes	1.1	(76.4)	(159.9)	(243.2)
Earnings from continuing operations	531.1	368.2	1,123.1	849.7
Discontinued operations, net of tax	(11.7)	3.7	(27.0)	5.5
Net earnings	519.4	371.9	1,096.1	855.2
Less: Net earnings attributable to noncontrolling interests	(4.3)	(4.9)	(12.5)	(12.5)
Net earnings attributable to Ingersoll-Rand plc	$515.1	$367.0	$1,083.6	$842.7
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	$526.8	$363.3	$1,110.6	$837.2
Discontinued operations	(11.7)	3.7	(27.0)	5.5
Net earnings	$515.1	$367.0	$1,083.6	$842.7
Earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:				
Basic:				
Continuing operations	$2.14	$1.43	$4.48	$3.27
Discontinued operations	(0.05)	0.02	(0.11)	0.02
Net earnings	$2.09	$1.45	$4.37	$3.29
Diluted:				
Continuing operations	$2.11	$1.41	$4.43	$3.22
Discontinued operations	(0.05)	0.02	(0.11)	0.02
Net earnings	$2.06	$1.43	$4.32	$3.24
Weighted-average shares outstanding:				
Basic	246.4	253.3	248.1	256.4
Diluted	249.5	256.7	250.9	259.7
Dividends declared per ordinary share	$—	$0.45	$1.43	$1.25
Total comprehensive income	$504.0	$488.5	$952.2	$1,267.8
Less: Total comprehensive income attributable to noncontrolling interests	4.1	4.7	9.6	11.5
Total comprehensive income attributable to Ingersoll-Rand plc	$499.9	$483.8	$942.6	$1,256.3

See accompanying notes to Condensed Consolidated Financial Statements.

INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED BALANCE SHEETS

In millions	(Unaudited) September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,022.5	$ 1,549.4
Accounts and notes receivable, net	2,752.1	2,477.4
Inventories, net	1,821.4	1,555.4
Other current assets	486.6	536.9
Total current assets	6,082.6	6,119.1
Property, plant and equipment, net	1,673.4	1,551.3
Goodwill	5,989.0	5,935.7
Intangible assets, net	3,679.7	3,742.9
Other noncurrent assets	879.8	824.3
Total assets	$ 18,304.5	$ 18,173.3
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,748.7	$ 1,556.1
Accrued compensation and benefits	504.4	509.7
Accrued expenses and other current liabilities	1,720.3	1,655.2
Short-term borrowings and current maturities of long-term debt	350.6	1,107.0
Total current liabilities	4,324.0	4,828.0
Long-term debt	3,739.8	2,957.0
Postemployment and other benefit liabilities	1,207.4	1,285.3
Deferred and noncurrent income taxes	610.2	757.5
Other noncurrent liabilities	1,079.9	1,138.6
Total liabilities	10,961.3	10,966.4
Equity:		
Ingersoll-Rand plc shareholders’ equity:		
Ordinary shares	270.1	274.0
Ordinary shares held in treasury, at cost	(1,719.4)	(1,719.4)
Capital in excess of par value	52.4	461.3
Retained earnings	9,624.8	8,903.2
Accumulated other comprehensive income (loss)	(919.8)	(778.8)
Total Ingersoll-Rand plc shareholders’ equity	7,308.1	7,140.3
Noncontrolling interests	35.1	66.6
Total equity	7,343.2	7,206.9
Total liabilities and equity	$ 18,304.5	$ 18,173.3

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Nine months ended September 30,	
In millions	2018	2017
Cash flows from operating activities:		
Net earnings	$1,096.1	$855.2
Discontinued operations, net of tax	27.0	(5.5)
Adjustments for non-cash transactions:		
Asset impairment	—	8.4
Depreciation and amortization	273.0	261.9
Gain on sale of joint venture	—	(1.5)
Changes in assets and liabilities, net	(573.8)	(391.0)
Other non-cash items, net	124.1	163.3
Net cash provided by (used in) continuing operating activities	946.4	890.8
Net cash provided by (used in) discontinued operating activities	(49.0)	(17.6)
Net cash provided by (used in) operating activities	897.4	873.2
Cash flows from investing activities:		
Capital expenditures	(251.2)	(149.9)
Acquisitions and equity method investments, net of cash acquired	(281.5)	(60.3)
Other investing activities, net	12.1	3.8
Net cash provided by (used in) continuing investing activities	(520.6)	(206.4)
Cash flows from financing activities:		
Short-term borrowings (payments), net	(6.4)	(4.0)
Proceeds from long-term debt	1,147.0	—
Payments of long-term debt	(1,122.9)	(7.6)
Net proceeds (repayments) from debt	17.7	(11.6)
Debt issuance costs	(12.0)	(0.2)
Dividends paid to ordinary shareholders	(351.2)	(318.0)
Dividends paid to noncontrolling interests	(41.1)	(15.5)
Acquisition of noncontrolling interest	—	(6.8)
Repurchase of ordinary shares	(514.1)	(911.1)
Other financing activities, net	31.8	40.7
Net cash provided by (used in) continuing financing activities	(868.9)	(1,222.5)
Effect of exchange rate changes on cash and cash equivalents	(34.8)	100.0
Net increase (decrease) in cash and cash equivalents	(526.9)	(455.7)
Cash and cash equivalents - beginning of period	1,549.4	1,714.7
Cash and cash equivalents - end of period	$1,022.5	$1,259.0

See accompanying notes to Condensed Consolidated Financial Statements.

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

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Ingersoll-Rand plc (Plc or Parent Company), a public limited company incorporated in Ireland in 2009, and its consolidated subsidiaries (collectively, the Company), reflect the consolidated operations of the Company and have been prepared in accordance with United States Securities and Exchange Commission (SEC) interim reporting requirements. Accordingly, the accompanying condensed consolidated financial statements do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP) for full financial statements and should be read in conjunction with the consolidated financial statements included in the Ingersoll-Rand plc Annual Report on Form 10-K for the year ended December 31, 2017. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which include only normal recurring adjustments, necessary to fairly state the condensed consolidated results for the interim periods presented. Certain reclassifications of amounts reported in prior periods have been made to conform with the current period presentation.

Note 2. Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) Accounting Standards Codification is the sole source of authoritative GAAP other than SEC issued rules and regulations that apply only to SEC registrants. The FASB issues an Accounting Standards Update (ASU) to communicate changes to the codification. The Company considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are not expected to have a material impact on the consolidated financial statements.

Recently Adopted Accounting Pronouncements

In October 2016, the FASB issued ASU 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory” (ASU 2016-16) which removed the prohibition in Topic 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. As a result, the income tax consequences of an intra-entity transfer of assets other than inventory will be recognized in the current period income statement rather than being deferred until the assets leave the consolidated group. The Company applied ASU 2016-16 on a modified retrospective basis through a cumulative-effect adjustment which reduced Retained earnings by $9.1 million as of January 1, 2018.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (ASC 606), which created a comprehensive, five-step model for revenue recognition that requires a company to recognize revenue to depict the transfer of promised goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. Under ASC 606, a company will be required to use more judgment and make more estimates when considering contract terms as well as relevant facts and circumstances when identifying performance obligations, estimating the amount of variable consideration in the transaction price and allocating the transaction price to each separate performance obligation. The Company adopted this standard on January 1, 2018 using the modified retrospective approach and recorded a cumulative effect adjustment to increase Retained earnings by $2.4 million with related amounts not materially impacting Net revenues, Operating income or the Balance Sheet. Refer to Note 11, “Revenue,” for a further discussion on the adoption of ASC 606.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract" (ASU 2018-15), which aligns the requirements for capitalizing implementation costs in a cloud-computing arrangement service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. In addition, the guidance also clarifies the presentation requirements for reporting such costs in the financial statements. ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2019 with early adoption permitted. The Company is currently assessing the impact of the ASU on its financial statements.

In February 2018, the FASB issued ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" (ASU 2018-02), which allows companies to reclassify stranded tax effects in Accumulated other comprehensive income (loss) that have been caused by the Tax Cuts and Jobs Act of 2017 (the Act) to Retained earnings for each period in which the effect of the change in the U.S. federal corporate income tax rate is recorded. The FASB has made the reclassification optional. ASU 2018-02 is effective for annual reporting periods beginning after December 15, 2018 with early adoption permitted. The Company is currently assessing the impact of the ASU on its financial statements and whether or not it will exercise the option to reclassify the stranded tax effects caused by the Act.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and hedging (Topic 815): Targeted improvements to accounting for hedging activities" (ASU 2017-12). This standard more closely aligns the results of cash flow and fair value hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. This standard also addresses specific limitations in current GAAP by expanding hedge accounting for both nonfinancial and financial risk components and by refining the measurement of hedge results to better reflect an entity’s hedging strategies. Additionally, by aligning the timing of recognition of hedge results with the earnings effect of the hedged item for cash flow and net investment hedges, and by including the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is presented, the results of an entity’s hedging program and the cost of executing that program will be more visible to users of financial statements. ASU 2017-12 is effective for annual reporting periods beginning after December 15, 2018 with early adoption permitted. The Company adopted this standard on October 1, 2018 with no material impact to the financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases" (ASU 2016-02), which requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. The standard also requires additional disclosures by lessees and contains targeted changes to accounting by lessors. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. In July 2018, the FASB issued ASU No. 2018-11, which provides an additional transition method to adopt ASU 2016-02. Under the new transition method, an entity initially applies the new leases standard at the adoption date versus at the beginning of the earliest period presented and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company has elected to use this transition method at the adoption date of January 1, 2019. The Company continues to execute on its implementation plan to derive the impact of the ASU on its financial statements and expects to disclose the amount in its 2018 Form 10-K. The adoption is anticipated to have a material impact on assets and liabilities due to the recognition of lease rights and obligations on the Balance Sheet effective January 1, 2019. However, the Company does not expect the adoption to have a material impact to its Statement of Cash Flows or Statement of Comprehensive Income.

Note 3. Inventories

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

The major classes of inventory were as follows:

In millions	September 30, 2018	December 31, 2017
Raw materials	$ 563.1	$ 502.8
Work-in-process	220.1	180.5
Finished goods	1,108.7	941.0
	1,891.9	1,624.3
LIFO reserve	(70.5)	(68.9)
Total	$ 1,821.4	$ 1,555.4

The Company performs periodic assessments to determine the existence of obsolete, slow-moving and non-saleable inventories and records necessary provisions to reduce such inventories to net realizable value. Reserve balances, primarily related to obsolete and slow-moving inventories, were $120.9 million and $120.3 million at September 30, 2018 and December 31, 2017, respectively.

Note 4. Goodwill

The Company records as goodwill the excess of the purchase price over the fair value of the net assets acquired in a business combination. Measurement period adjustments may be recorded once a final valuation has been performed. Goodwill is tested and reviewed annually for impairment during the fourth quarter or whenever there is a significant change in events or circumstances that indicate that the fair value of the asset may be less than the carrying amount of the asset.

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The changes in the carrying amount of goodwill for the nine months ended September 30, 2018 were as follows:

In millions	Climate	Industrial	Total
Net balance as of December 31, 2017	$5,065.1	$ 870.6	$5,935.7
Acquisitions [1]	114.3	1.8	116.1
Currency translation	(56.0)	(6.8)	(62.8)
Net balance as of September 30, 2018	$5,123.4	$ 865.6	$5,989.0

[1] Refer to Note 16, "Acquisitions and Divestitures" for more information regarding acquisitions during the period.

The net goodwill balances at September 30, 2018 and December 31, 2017 include $2,496.0 million of accumulated impairment. The accumulated impairment relates entirely to a charge in the fourth quarter of 2008 associated with the Climate segment.

Note 5. Intangible Assets

Indefinite-lived intangible assets are tested and reviewed annually for impairment during the fourth quarter or whenever there is a significant change in events or circumstances that indicate that the fair value of the asset may be less than the carrying amount of the asset. All other intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives.

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

	September 30, 2018			December 31, 2017		
In millions	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Completed technologies/patents	$207.9	$ (181.5)	$26.4	$209.4	$ (177.3)	$32.1
Customer relationships	2,098.6	(1,148.1)	950.5	2,068.9	(1,056.9)	1,012.0
Other	84.7	(52.6)	32.1	93.9	(52.7)	41.2
Total finite-lived intangible assets	2,391.2	(1,382.2)	1,009.0	2,372.2	(1,286.9)	1,085.3
Trademarks (indefinite-lived)	2,670.7	—	2,670.7	2,657.6	—	2,657.6
Total	$5,061.9	$ (1,382.2)	$3,679.7	$5,029.8	$ (1,286.9)	$3,742.9

Intangible asset amortization expense was $34.7 million and $33.3 million for the three months ended September 30, 2018 and 2017, respectively. Intangible asset amortization expense was $105.1 million and $98.1 million for the nine months ended September 30, 2018 and 2017, respectively.

Note 6. Debt and Credit Facilities

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

In millions	September 30, 2018	December 31, 2017
Debentures with put feature	$ 343.0	$ 343.0
6.875% Senior notes due 2018 [1]	—	749.6
Other current maturities of long-term debt	7.6	7.7
Short-term borrowings	—	6.7
Total	$ 350.6	$ 1,107.0

[1] During the first quarter of 2018, the Company redeemed its 6.875% senior notes due 2018.

Commercial Paper Program

The Company uses borrowings under its commercial paper program for general corporate purposes. The maximum aggregate amount of unsecured commercial paper notes available to be issued, on a private placement basis, under the commercial paper program is $2.0 billion as of September 30, 2018. The Company had no outstanding balance under its commercial paper program as of September 30, 2018 and December 31, 2017.

Debentures with Put Feature

At September 30, 2018 and December 31, 2017, the Company had $343.0 million of fixed rate debentures outstanding which contain a put feature that the holders may exercise on each anniversary of the issuance date. If exercised, the Company is obligated to repay in whole or in part, at the holder's option, the outstanding principal amount of the debentures plus accrued interest. If these options are not exercised, the final contractual maturity dates would range between 2027 and 2028. Holders of these debentures had the option to exercise the put feature on $37.2 million of the outstanding debentures in February 2018, subject to the notice requirement. No material exercises were made.

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

In millions	September 30, 2018	December 31, 2017
2.875% Senior notes due 2019 [1]	—	349.4
2.625% Senior notes due 2020	299.3	298.9
2.900% Senior notes due 2021	298.1	—
9.000% Debentures due 2021	124.9	124.9
4.250% Senior notes due 2023	697.0	696.5
7.200% Debentures due 2019-2025	44.8	52.3
3.550% Senior notes due 2024	495.7	495.2
6.480% Debentures due 2025	149.7	149.7
3.750% Senior notes due 2028	544.3	—
5.750% Senior notes due 2043	494.2	494.0
4.650% Senior notes due 2044	295.7	295.6
4.300% Senior notes due 2048	295.8	—
Other loans and notes	0.3	0.5
Total	$ 3,739.8	$ 2,957.0

(1) During the first quarter of 2018, the Company redeemed its 2.875% senior notes due 2019.

Issuance and Redemption of Senior Notes

In February 2018, the Company issued $1.15 billion principal amount of senior notes in three tranches through an indirect, wholly-owned subsidiary. The tranches consist of $300 million aggregate principal amount of 2.900% senior notes due 2021, $550 million aggregate principal amount of 3.750% senior notes due 2028 and $300 million aggregate principal amount of 4.300% senior notes due 2048. The notes are fully and unconditionally guaranteed by each of Ingersoll Rand plc, Ingersoll-Rand Irish Holdings Unlimited Company, Ingersoll-Rand Lux International Holding Company S.à.r.l, Ingersoll-Rand Company and Ingersoll-Rand Luxembourg Finance S.A. The Company has the option to redeem the notes in whole or in part at any time, prior to their stated maturity date at redemption prices set forth in the indenture agreement. The notes are subject to certain customary covenants, however, none of these covenants are considered restrictive to the Company's operations. In March 2018, the Company used the proceeds to fund the redemption of $750 million aggregate principal amount of 6.875% senior notes due 2018 and $350 million aggregate principal amount of 2.875% senior notes due 2019, with the remainder used for general corporate purposes. As a result of the early redemption, the Company recognized $15.4 million of premium expense and $1.2 million of unamortized costs in Interest expense.

Other Credit Facilities

The Company maintains two 5-year, $1.0 billion revolving credit facilities (the Facilities) through its wholly-owned subsidiaries, Ingersoll-Rand Global Holding Company Limited and Ingersoll-Rand Luxembourg Finance S.A. (collectively, the Borrowers). Each senior unsecured credit facility provides support for the Company's commercial paper program and can be used for working capital and other general corporate purposes. Ingersoll-Rand plc, Ingersoll-Rand Irish Holdings Unlimited Company, Ingersoll-Rand Lux International Holding Company S.à.r.l. and Ingersoll-Rand Company each provide irrevocable and unconditional guarantees for these Facilities. In addition, each Borrower will guarantee the obligations under the Facilities of the other Borrower. Total commitments of $2.0 billion were unused at September 30, 2018 and December 31, 2017. On April 17, 2018, the Company entered into a new 5-year, $1.0 billion senior unsecured credit facility and terminated its 5-year, $1.0 billion facility set to expire in March 2019. As a result, the current maturity dates of the Facilities are March 2021 and April 2023.

Fair Value of Debt

The carrying value of the Company's short-term borrowings is a reasonable estimate of fair value due to the short-term nature of the instruments. The fair value of the Company's debt instruments at September 30, 2018 and December 31, 2017 was $4.2 billion and $4.4 billion, respectively. The Company measures the fair value of its long-term debt instruments for disclosure purposes based upon observable market prices quoted on public exchanges for similar assets. These fair value inputs are considered Level 2 within the fair value hierarchy. The methodologies used by the Company to determine the fair value of its long-term debt instruments at September 30, 2018 are the same as those used at December 31, 2017.

Note 7. Financial Instruments

In the normal course of business, the Company is exposed to certain risks arising from business operations and economic factors. These fluctuations can increase the cost of financing, investing and operating the business. The Company may use various financial instruments, including derivative instruments, to manage the risks associated with interest rate and currency rate exposures. These financial instruments are not used for trading or speculative purposes. On the date a derivative contract is entered into, the Company designates the derivative instrument as a cash flow hedge of a forecasted transaction or as an undesignated derivative. The Company formally documents its hedge relationships, including identification of the derivative instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivative instruments that are designated as hedges to specific assets, liabilities or forecasted transactions.

The Company assesses at inception, and at least quarterly thereafter, whether the derivatives used in cash flow hedging transactions are highly effective in offsetting the changes in the cash flows of the hedged item. To the extent the derivative is deemed to be a highly effective hedge, the fair market value changes of the instrument are recorded in Accumulated other comprehensive income (AOCI). Any ineffective portion of a derivative instrument’s change in fair value is recorded in Net earnings in the period of change. If the hedging relationship ceases to be highly effective, or it becomes probable that a forecasted transaction is no longer expected to occur, the hedging relationship will be undesignated and any future gains and losses on the derivative instrument will be recorded in Net earnings.

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

	Derivative assets		Derivative liabilities	
In millions	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Derivatives designated as hedges:				
Currency derivatives designated as hedges	$ 0.1	$ —	$ 1.6	$ 1.3
Derivatives not designated as hedges:				
Currency derivatives not designated as hedges	2.4	7.2	1.0	1.2
Total derivatives	$ 2.5	$ 7.2	$ 2.6	$ 2.5

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

Currency Derivative Instruments

The notional amount of the Company’s currency derivatives was $0.5 billion and $0.7 billion at September 30, 2018 and December 31, 2017, respectively. At September 30, 2018 and December 31, 2017, a net loss of $1.3 million and a net gain of $1.2 million, net of tax, respectively, was included in AOCI related to the fair value of the Company’s currency derivatives designated as accounting hedges. The amount expected to be reclassified into Net earnings over the next twelve months is a loss of $1.3 million. The actual amounts that will be reclassified to Net earnings may vary from this amount as a result of changes in market conditions. Gains and losses associated with the Company’s currency derivatives not designated as hedges are recorded in Net earnings as changes in fair value occur. At September 30, 2018, the maximum term of the Company’s currency derivatives was approximately 12 months.

Other Derivative Instruments

Prior to 2015, the Company utilized forward-starting interest rate swaps and interest rate locks to manage interest rate exposure in periods prior to the anticipated issuance of certain fixed-rate debt. These instruments were designated as cash flow hedges and had a notional amount of $1.3 billion. Consequently, when the contracts were settled upon the issuance of the underlying debt, any realized gains or losses in the fair values of the instruments were deferred into AOCI. These deferred gains or losses are subsequently recognized in Interest expense over the term of the related notes. The net unrecognized gain in AOCI was $6.8 million at September 30, 2018 and $6.6 million at December 31, 2017. The net deferred gain at September 30, 2018 will continue to be amortized over the term of notes with maturities ranging from 2023 to 2044. The amount expected to be amortized over the next twelve months is a net gain of $0.7 million. The Company has no forward-starting interest rate swaps or interest rate lock contracts outstanding at September 30, 2018 or December 31, 2017.

The following table represents the amounts associated with derivatives designated as hedges affecting Net earnings and AOCI for the three months ended September 30:

	Amount of gain (loss) recognized in AOCI		Location of gain (loss) reclassified from AOCI and recognized into Net earnings	Amount of gain (loss) reclassified from AOCI and recognized into Net earnings	
In millions	2018	2017		2018	2017
Currency derivatives designated as hedges	$ (1.9)	$ (0.7)	Cost of goods sold	$ (0.1)	$ (1.3)
Interest rate swaps & locks	—	—	Interest expense	0.2	(0.1)
Total	$ (1.9)	$ (0.7)		$ 0.1	$ (1.4)

The following table represents the amounts associated with derivatives not designated as hedges affecting Other income/(expense), net for the three months ended September 30:

	Amount of gain (loss) recognized in Net earnings	
In millions	2018	2017
Currency derivatives not designated as hedges	$ (6.0)	$ 14.5
Total	$ (6.0)	$ 14.5

The following table represents the amounts associated with derivatives designated as hedges affecting Net earnings and AOCI for the nine months ended September 30:

	Amount of gain (loss) recognized in AOCI		Location of gain (loss) reclassified from AOCI and recognized into Net earnings	Amount of gain (loss) reclassified from AOCI and recognized into Net earnings	
In millions	2018	2017		2018	2017
Currency derivatives designated as hedges	$ (0.5)	$ (1.3)	Cost of goods sold	$ (0.4)	$ (2.0)
Interest rate swaps & locks	—	—	Interest expense	(0.2)	(0.4)
Total	$ (0.5)	$ (1.3)		$ (0.6)	$ (2.4)

The following table represents the amounts associated with derivatives not designated as hedges affecting Other income/(expense), net for the nine months ended September 30:

	Amount of gain (loss) recognized in Net earnings	
In millions	2018	2017
Currency derivatives not designated as hedges	$ (29.1)	$ 48.3
Total	$ (29.1)	$ 48.3

The gains and losses associated with the Company’s undesignated currency derivatives are materially offset in Other income/(expense), net by changes in the fair value of the underlying transactions.

Concentration of Credit Risk

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

Note 8. Fair Value Measurements

ASC 820, "Fair Value Measurement," (ASC 820) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2018:

In millions	Fair Value	Fair value measurements Level 1	Level 2	Level 3
Assets:				
Derivative instruments	$ 2.5	$ —	$ 2.5	$ —
Liabilities:				
Derivative instruments	$ 2.6	$ —	$ 2.6	$ —

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2017:

In millions	Fair Value	Fair value measurements Level 1	Level 2	Level 3
Assets:				
Derivative instruments	$ 7.2	$ —	$ 7.2	$ —
Liabilities:				
Derivative instruments	$ 2.5	$ —	$ 2.5	$ —

Derivative instruments include forward foreign currency contracts and instruments related to non-functional currency balance sheet exposures. The fair value of the derivative instruments are determined based on a pricing model that uses spot rates and forward prices from actively quoted currency markets that are readily accessible and observable.

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable are a reasonable estimate of their fair value due to the short-term nature of these instruments. These methodologies used by the Company to determine the fair value of its financial assets and liabilities at September 30, 2018 are the same as those used at December 31, 2017. There have been no transfers between levels of the fair value hierarchy.

Note 9. Pensions and Postretirement Benefits Other than Pensions

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

Pension Plans

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

The components of the Company's net periodic pension benefit cost for the three and nine months ended September 30 were as follows:

	Three months ended		Nine months ended	
In millions	2018	2017	2018	2017
Service cost	$19.0	$17.1	$54.8	$52.8
Interest cost	27.4	27.3	81.3	81.3
Expected return on plan assets	(36.7)	(35.6)	(110.3)	(106.0)
Net amortization of:				
Prior service costs	1.1	0.9	3.2	2.8
Net actuarial losses	13.8	14.3	38.8	41.4
Net periodic pension benefit cost	$24.6	$24.0	$67.8	$72.3
Net curtailment and settlement (gains) losses	1.1	1.3	2.3	3.6
Net periodic pension benefit cost after net curtailment and settlement (gains) losses	$25.7	$25.3	$70.1	$75.9
Amounts recorded in continuing operations:				
Operating income	$18.5	$16.3	$53.0	$50.6
Other income/(expense), net	5.0	6.4	10.7	17.9
Amounts recorded in discontinued operations	2.2	2.6	6.4	7.4
Total	$25.7	$25.3	$70.1	$75.9

During the nine months ended September 30, 2018, the Company recognized a settlement loss associated with lump sum distributions of a non-US defined benefit plan. During the nine months ended September 30, 2017, the Company recognized a curtailment loss associated with certain defined benefit plan freezes that is effective on January 1, 2022.

The Company made contributions to its defined benefit pension plans of $71.3 million and $77.8 million during the nine months ended September 30, 2018 and 2017, respectively. The Company currently projects that it will contribute approximately $80 million to its plans worldwide in 2018.

Postretirement Benefits Other Than Pensions

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

The components of net periodic postretirement benefit cost for the three and nine months ended September 30 were as follows:

	Three months ended		Nine months ended	
In millions	2018	2017	2018	2017
Service cost	$0.7	$0.8	$2.1	$2.3
Interest cost	3.2	3.2	10.8	11.7
Net amortization of:				
Prior service gains	(1.0)	(2.2)	(3.0)	(6.5)
Net actuarial losses	(0.7)	—	(0.7)	—
Net periodic postretirement benefit cost	$2.2	$1.8	$9.2	$7.5
Amounts recorded in continuing operations:				
Operating income	$0.7	$0.8	$2.1	$2.3
Other income/(expense), net	1.3	0.9	5.3	3.8
Amounts recorded in discontinued operations	0.2	0.1	1.8	1.4
Total	$2.2	$1.8	$9.2	$7.5

Note 10. Equity

The authorized share capital of Ingersoll-Rand plc is 1,185,040,000 shares, consisting of (1) 1,175,000,000 ordinary shares, par value $1.00 per share, (2) 40,000 ordinary shares, par value EUR 1.00 and (3) 10,000,000 preference shares, par value $0.001 per share. There were no Euro-denominated ordinary shares or preference shares outstanding at September 30, 2018 or December 31, 2017.

Changes in ordinary shares and treasury shares for the nine months ended September 30, 2018 are as follows:

In millions	Ordinary shares issued	Ordinary shares held in treasury
December 31, 2017	274.0	24.5
Shares issued under incentive plans, net	1.9	—
Repurchase of ordinary shares	(5.8)	—
September 30, 2018	270.1	24.5

Share repurchases are made from time to time in accordance with the Company's capital allocation strategy, subject to market conditions and regulatory requirements. In April 2017, the Company completed a $1.5 billion share repurchase program that began in April 2014. Shares repurchased prior to October 2014 were canceled upon repurchase and accounted for as a reduction of Ordinary shares and Capital in excess of par value, or Retained earnings to the extent Capital in excess of par value was exhausted. Beginning in October 2014, repurchased shares were held in treasury, recognized at cost and presented separately on the balance sheet as a reduction to Equity. In February 2017, the Company's Board of Directors authorized the repurchase of up to $1.5 billion of its ordinary shares (the 2017 Authorization) upon completion of the prior authorized program. Repurchases under the 2017 Authorization, which began in May 2017, totaled approximately $600 million at December 31, 2017 and are held in treasury. During the nine months ended September 30, 2018, the Company repurchased and canceled approximately $514 million of its ordinary shares leaving approximately $386 million remaining under the 2017 Authorization at September 30, 2018. In October 2018, the Company's Board of Directors authorized the repurchase of up to $1.5 billion of its ordinary shares upon completion of the 2017 Authorization.

The components of Equity for the nine months ended September 30, 2018 were as follows:

In millions	Shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2017	$ 7,140.3	$ 66.6	$7,206.9
Net earnings	1,083.6	12.5	1,096.1
Currency translation	(175.2)	(2.9)	(178.1)
Derivatives qualifying as cash flow hedges, net of tax	0.1	—	0.1
Pension and OPEB adjustments, net of tax	34.1	—	34.1
Total comprehensive income (loss)	942.6	9.6	952.2
Share-based compensation	62.3	—	62.3
Adoption of ASC 606	2.4	—	2.4
Adoption of ASU 2016-16	(9.1)	—	(9.1)
Dividends declared to noncontrolling interests	—	(41.1)	(41.1)
Dividends declared to ordinary shareholders	(352.6)	—	(352.6)
Shares issued under incentive plans, net of tax benefit	36.3	—	36.3
Repurchase of ordinary shares	(514.1)	—	(514.1)
Balance at September 30, 2018	$ 7,308.1	$ 35.1	$7,343.2

The components of Equity for the nine months ended September 30, 2017 were as follows:

In millions	Shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2016	$ 6,643.8	$ 74.5	$6,718.3
Net earnings	842.7	12.5	855.2
Currency translation	401.4	(1.0)	400.4
Derivatives qualifying as cash flow hedges, net of tax	1.1	—	1.1
Pension and OPEB adjustments, net of tax	11.1	—	11.1
Total comprehensive income (loss)	1,256.3	11.5	1,267.8
Share-based compensation	53.2	—	53.2
Adoption of ASU 2016-09 [1]	15.1	—	15.1
Acquisition/divestiture of noncontrolling interests	(5.0)	(2.3)	(7.3)
Dividends declared to noncontrolling interests	—	(15.5)	(15.5)
Dividends declared to ordinary shareholders	(318.0)	—	(318.0)
Shares issued under incentive plans, net of tax benefit	41.9	—	41.9
Repurchase of ordinary shares	(911.1)	—	(911.1)
Balance at September 30, 2017	$ 6,776.2	$ 68.2	$6,844.4

(1) The Company adopted ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09) on January 1, 2017.

Accumulated Other Comprehensive Income (Loss)

The changes in Accumulated other comprehensive income (loss) for the nine months ended September 30, 2018 are as follows:

In millions	Derivative Instruments	Pension and OPEB	Foreign Currency Translation	Total
Balance at December 31, 2017	$ 4.7	$(494.3)	$ (289.2)	$(778.8)
Other comprehensive income (loss) before reclassifications	(0.5)	5.2	(175.2)	(170.5)
Amounts reclassified from AOCI	0.6	38.3	—	38.9
Provision for income taxes	—	(9.4)	—	(9.4)
Net current period other comprehensive income (loss)	$ 0.1	$34.1	$ (175.2)	$(141.0)
Balance at September 30, 2018	$ 4.8	$(460.2)	$ (464.4)	$(919.8)

The changes in Accumulated other comprehensive income (loss) for the nine months ended September 30, 2017 are as follows:

In millions	Derivative Instruments	Pension and OPEB	Foreign Currency Translation	Total
Balance at December 31, 2016	$ 2.9	$(554.4)	$ (739.0)	$(1,290.5)
Other comprehensive income (loss) before reclassifications	(1.3)	(13.8)	401.4	386.3
Amounts reclassified from AOCI	2.4	37.7	—	40.1
Provision for income taxes	—	(12.8)	—	(12.8)
Net current period other comprehensive income (loss)	$ 1.1	$11.1	$ 401.4	$413.6
Balance at September 30, 2017	$ 4.0	$(543.3)	$ (337.6)	$(876.9)

The reclassifications out of Accumulated other comprehensive income (loss) for the three and nine months ended September 30 were as follows:

	Three months ended		Nine months ended	
In millions	2018	2017	2018	2017
Derivative Instruments				
Reclassifications of deferred (gains) losses [1]	$(0.1)	$1.4	$0.6	$2.4
Provision for (benefit from) income taxes	(0.2)	0.1	—	0.3
Reclassifications, net of taxes	$(0.3)	$1.5	$0.6	$2.7
Pension and Postretirement benefits				
Amortization of service costs [2]	$0.1	$(1.3)	$0.2	$(3.7)
Amortization of actuarial losses [2]	13.1	14.3	38.1	41.4
Provision for (benefit from) income taxes	(2.9)	(4.1)	(9.4)	(12.8)
Reclassifications, net of taxes	$10.3	$8.9	$28.9	$24.9
Total reclassifications, net of taxes	$10.0	$10.4	$29.5	$27.6

(1) Reclassifications of interest rate swaps and locks are reflected within Interest expense; reclassifications of currency derivatives designated as hedges are reflected in Cost of goods sold.

(2) Reclassifications of the service cost component of pension and postretirement benefit costs are reflected within Operating income; the remaining components are included within Other income/(expense), net.

Note 11. Revenue

The Company recognizes revenue when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A majority of the Company's revenues are recognized at a point-in-time as control is transferred at a distinct point in time per the terms of a contract. However, a portion of the Company's revenues are recognized over time as the customer simultaneously receives control as the Company performs work under a contract.

Performance Obligations

A performance obligation is a distinct good, service or a bundle of goods and services promised in a contract. The Company identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to faithfully depict the Company’s performance in transferring control of the promised goods or services to the customer.

The following are the primary performance obligations identified by the Company:

Equipment and parts. The Company principally generates revenue from the sale of equipment and parts to customers and recognizes revenue at a point in time when control transfers to the customer. Transfer of control is generally determined based on the shipping terms of the contract. However, certain transactions within the Industrial segment include contracts to design, deliver and build highly engineered or customized equipment which have no alternative use for the Company in the event the customer cancels the contract. In addition, the Company has the right to payment for performance completed to date. As a result, revenues related to these contracts are recognized over time with progress towards completion measured using an input method as the basis to recognize revenue and an estimated profit. To-date efforts for work performed corresponds with and faithfully depicts transfer of control to the customer.

Contracting and Installation. The Company enters into various construction-type contracts to design, deliver and build integrated solutions to meet customer specifications. These transactions, primarily included within the Climate segment, provide services that range from the development and installation of new HVAC systems to the design and integration of critical building systems to optimize energy efficiency and overall performance. These contracts have a typical term of less than one year and are considered a single performance obligation as multiple combined goods and services promised in the contract represent a single output delivered to the customer. Revenues associated with contracting and installation contracts are recognized over time with progress towards completion measured using an input method as the basis to recognize revenue and an estimated profit. To-date efforts for work performed corresponds with and faithfully depicts transfer of control to the customer.

Services and Maintenance. The Company provides various levels of preventative and/or repair and maintenance type service agreements for its customers. The typical length of a contract is 12 months but can be as long as 60 months. Revenues associated with these performance obligations are primarily recognized over time on a straight-line basis over the life of the contract as the customer simultaneously receives and consumes the benefit provided by the Company. However, if historical evidence indicates that the cost of providing these services on a straight-line basis is not appropriate, revenue is recognized over the contract period in proportion to the costs expected to be incurred while performing the service. Certain repair services do not meet the definition of over time revenue recognition as the Company does not transfer control to the customer until the service is completed. As a result, revenue related to these services is recognized at a point in time.

Extended warranties. The Company enters into various warranty contracts with customers related to its products. A standard warranty generally warrants that a product is free from defects in workmanship and materials under normal use and conditions for a certain period of time. The Company’s standard warranty is not considered a distinct performance obligation as it does not provide services to customers beyond assurance that the covered product is free of initial defects. An extended warranty provides a customer with additional time that the Company is liable for covered incidents associated with its products. Extended warranties are purchased separately and can last up to five years. As a result, they are considered separate performance obligations for the Company. Revenue associated with these performance obligations are primarily recognized over time on a straight-line basis over the life of the contract as the customer simultaneously receives and consumes the benefit provided by the Company. However, if historical evidence indicates that the cost of providing these services on a straight-line basis is not appropriate, revenue is recognized over the contract period in proportion to the costs expected to be incurred while performing the service. Refer to Note 19, "Commitments and Contingencies," for more information related to product warranties.

The transaction price allocated to performance obligations reflects the Company’s expectations about the consideration it will be entitled to receive from a customer. To determine the transaction price, variable and noncash consideration are assessed as well as whether a significant financing component exists. The Company’s contracts with customers, dealers and distributors include several forms of sales incentive programs (variable consideration) which are estimated and included in the transaction price. They include, but are not limited to, discounts (i.e. net 30 type), coupons, and rebates where the customer does not have to provide any additional requirements to receive the discount. The Company records an accrual (contra receivable) and a sales deduction for its best estimate determined using the expected value method. In addition, sales returns and customer disputes involving a question of quantity or price are also accounted for as variable consideration. All other incentives or incentive programs where the customer is required to reach a certain sales level, remain a customer for a certain period of time, provide a rebate form or is subject to additional requirements are accounted for as a reduction of revenue and establishment of a liability for its best estimate determined using the expected value method. The Company considers historical data in determining its best estimates of variable consideration. These estimates are reviewed regularly for appropriateness, considering also whether the estimates should be constrained in order to avoid a significant reversal of revenue recognition in a future period. If updated information or actual amounts are different from previous estimates of variable consideration, the revisions are included in the results for the period in which they become known through a cumulative effect adjustment to revenue. The Company has performance guarantees related to energy savings contracts that are provided under the maintenance portion of contracting and installation agreements extending from 2018-2038. The Company has experienced no significant losses under such arrangements and considers the probability of any significant future losses to be remote.

The Company enters into sales arrangements that contain multiple goods and services, such as equipment, installation and extended warranties. For these arrangements, each good or service is evaluated to determine whether it represents a distinct performance obligation. The total transaction price is then allocated to the distinct performance obligations based on their relative standalone selling price at the inception of the arrangement. If available, the Company utilizes observable prices for goods or services sold separately to similar customers in similar circumstances to determine its relative standalone selling price. Otherwise, list prices are used if they are determined to be representative of standalone selling prices. If neither of these items are available at contract inception, judgment may be required and the Company will estimate standalone selling price based on its best estimate. The Company recognizes revenue for delivered goods or services when the delivered good or service is distinct, control of the good or service has transferred to the customer, and only customary refund or return rights related to the goods or services exist. The Company excludes from revenues taxes it collects from a customer that are assessed by a government authority. Excluding noncurrent contract liabilities, unsatisfied (or partially unsatisfied) performance obligations as of the end of the reporting period are expected to be recognized as revenue within the next 12 months.

Disaggregated Revenue

A summary of Net revenues by destination for the three and nine months ended September 30, 2018 is as follows:

In millions	Three months ended	Nine months ended
Climate		
United States	$2,223.1	$6,345.3
Non-U.S.	1,015.6	2,997.0
Total Climate	$3,238.7	$9,342.3
Industrial		
United States	$411.9	$1,277.1
Non-U.S.	380.3	1,153.7
Total Industrial	$792.2	$2,430.8

A summary of Net revenues by major type of good or service for the three and nine months ended September 30, 2018 is as follows:

In millions	Three months ended	Nine months ended
Climate		
Equipment	$2,153.3	$6,379.6
Services and parts	1,085.4	2,962.7
Total Climate	$3,238.7	$9,342.3
Industrial		
Equipment	$466.7	$1,472.2
Services and parts	325.5	958.6
Total Industrial	$792.2	$2,430.8

Revenue from goods and services transferred to customers at a point in time accounted for approximately 84% of the Company's revenue for the nine months ended September 30, 2018.

Contract Balances

The opening and closing balances of contract assets and contract liabilities arising from contracts with customers for the period ended September 30, 2018 and December 31, 2017 were as follows:

In millions	September 30, 2018	December 31, 2017
Contract assets	$ 194.8	$ 166.0
Contract liabilities	857.6	814.2

The timing of revenue recognition, billings and cash collections results in accounts receivable, contract assets, and customer advances and deposits (contract liabilities) on the Condensed Consolidated Balance Sheet. In general, the Company receives payments from customers based on a billing schedule established in its contracts. Contract assets relate to the conditional right to consideration for any completed performance under the contract when costs are incurred in excess of billings under the percentage-of-completion methodology. Accounts receivable are recorded when the right to consideration becomes unconditional. Contract liabilities relate to payments received in advance of performance under the contract or when the Company has a right to consideration that is unconditional before it transfers a good or service to the customer. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract. During the three and nine months ended September 30, 2018, changes in contract asset and liability balances were not materially impacted by any other factors.

Approximately 35% of the contract liability balance at the beginning of the period is expected to be recognized as revenue during 2019 or thereafter. As a result, substantially all of the remaining balance is expected to be recognized as revenue during 2018. During the three and nine months ended September 30, 2018, approximately 10% and 50% was recognized as revenue, respectively.

ASC 606 adoption impact

Under ASC 606, the majority of the Company’s revenue continues to be recognized on a similar basis as previous accounting standards. However, certain highly engineered products sold to customers within the Industrial segment for which revenue was previously recognized at a point in time meet the criteria of a performance obligation satisfied over time. These contracts consist of equipment that is highly engineered or customized to meet the customer's requirements. In the event the customer cancels the contract, the Company will have no alternative use for the equipment as well as the right to payment for performance completed to date. This change results in accelerated recognition of revenue and increases the balance of contract assets compared to the previous revenue recognition standard.

The Company adopted ASC 606 on January 1, 2018 using the modified retrospective approach with a cumulative effect adjustment to increase Retained earnings by $2.4 million. As a result, the Company applied ASC 606 only to contracts that were not completed as of January 1, 2018. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods presented. The Company elected to reflect the aggregate effect of all contract modifications that occurred before the beginning of the earliest period presented in determining the transaction price, identifying the satisfied and unsatisfied performance obligations and allocating the transaction price to the satisfied and unsatisfied performance obligations for the modified contract at transition. The effects of this relief are immaterial.

The following table summarizes the impact of adopting ASC 606 on the Company's Condensed Consolidated Statements of Comprehensive Income:

	Three months ended September 30, 2018			Nine months ended September 30, 2018		
In millions	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Net revenues	$4,030.9	$4,028.7	$ 2.2	$11,773.1	$11,763.6	$ 9.5
Cost of goods sold	(2,718.3)	(2,716.2)	2.1	(8,102.6)	(8,094.1)	8.5
Selling and administrative expenses	(725.6)	(725.6)	—	(2,199.8)	(2,199.8)	—
Operating income	587.0	586.9	0.1	1,470.7	1,469.7	1.0
Interest expense	(48.5)	(48.5)	—	(171.7)	(171.7)	—
Other income/(expense), net	(8.5)	(8.5)	—	(16.0)	(16.0)	—
Earnings before income taxes	530.0	529.9	0.1	1,283.0	1,282.0	1.0
Benefit (provision) for income taxes	1.1	1.1	—	(159.9)	(159.7)	0.2
Earnings from continuing operations	$531.1	$531.0	$ 0.1	$1,123.1	$1,122.3	$ 0.8

The following table summarizes the impact of adopting ASC 606 on the Company's Balance Sheet:

	September 30, 2018		
In millions	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Assets			
Accounts and notes receivable, net	$2,752.1	$2,756.6	$ (4.5)
Inventories, net	1,821.4	1,829.9	(8.5)
Other current assets	486.6	473.6	13.0
Other noncurrent assets	879.8	879.8	—
Liabilities			
Accrued expenses and other current liabilities	$1,720.3	$1,721.1	$ (0.8)
Deferred and noncurrent income taxes	610.2	610.2	—
Other noncurrent liabilities	1,079.9	1,079.9	—
Equity			

Retained earnings	$9,624.8	$9,624.0	$ 0.8

Note 12. Share-Based Compensation

The Company accounts for stock-based compensation plans in accordance with ASC 718, "Compensation - Stock Compensation" (ASC 718), which requires a fair-value based method for measuring the value of stock-based compensation. Fair value is measured once at the date of grant and is not adjusted for subsequent changes. The Company's share-based compensation plans include programs for stock options, restricted stock units (RSUs), performance share units (PSUs) and deferred compensation.

Compensation Expense

Share-based compensation expense is related to continuing operations and is included in Selling and administrative expenses. The expense recognized for the three and nine months ended September 30 was as follows:

	Three months ended		Nine months ended	
In millions	2018	2017	2018	2017
Stock options	$3.1	$3.6	$21.1	$16.3
RSUs	4.6	5.0	26.6	21.9
Performance shares	4.7	4.7	16.0	15.9
Other	1.9	0.7	3.9	3.8
Pre-tax expense	14.3	14.0	67.6	57.9
Tax benefit	(3.5)	(5.4)	(16.5)	(22.2)
After-tax expense	$10.8	$8.6	$51.1	$35.7

Grants issued during the nine months ended September 30 were as follows:

	2018		2017	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	1,524,625	$ 15.49	1,517,235	$ 13.46
RSUs	317,073	$ 89.69	335,743	$ 80.36
Performance shares [(1)]	357,096	$ 106.06	391,772	$ 93.17

(1) The number of performance shares represents the maximum award level.

Stock Options / RSUs

Eligible participants may receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs. The fair value of each of the Company's stock option and RSU awards is expensed on a straight-line basis over the required service period, which is generally the 3-year vesting period. However, for stock options and RSUs granted to retirement eligible employees, the Company recognizes an expense for the entire fair value at the grant date.

The average fair value of the stock options granted is determined using the Black-Scholes option-pricing model. The following assumptions were used during the nine months ended September 30:

	2018	2017
Dividend yield	2.00 %	2.00 %
Volatility	21.64%	22.46%
Risk-free rate of return	2.48 %	1.80 %
Expected life in years	4.8	4.8

A description of the significant assumptions used to estimate the fair value of the stock option awards is as follows:

- Volatility - The expected volatility is based on a weighted average of the Company's implied volatility and the most recent historical volatility of the Company's stock commensurate with the expected life.
- Risk-free rate of return - The Company applies a yield curve of continuous risk-free rates based upon the published U.S. Treasury spot rates on the grant date.
- Expected life - The expected life of the Company's stock option awards represents the weighted-average of the actual period since the grant date for all exercised or canceled options and an expected period for all outstanding options.
- Dividend yield - The Company determines the dividend yield based upon the expected quarterly dividend payments as of the grant date and the current fair market value of the Company's stock.
- Forfeiture Rate - The Company analyzes historical data of forfeited options to develop a reasonable expectation of the number of options to forfeit prior to vesting per year. This expected forfeiture rate is applied to the Company's ongoing compensation expense; however, all expense is adjusted to reflect actual vestings and forfeitures.

Performance Shares

The Company has a Performance Share Program (PSP) for key employees. The program provides awards in the form of PSUs based on performance against pre-established objectives. The annual target award level is expressed as a number of the Company's ordinary shares based on the fair market value of the Company's stock on the date of grant. All PSUs are settled in the form of ordinary shares.

Beginning with the 2018 grant year, PSU awards are earned based 50% upon a performance condition, measured by relative Cash Flow Return on Invested Capital (CROIC) growth to the industrial group of companies in the S&P 500 Index over a 3-year performance period, and 50% upon a market condition, measured by the Company's relative total shareholder return (TSR) as compared to the TSR of the industrial group of companies in the S&P 500 Index over a 3-year performance period. The fair value of the market condition is estimated using a Monte Carlo Simulation approach in a risk-neutral framework based upon historical volatility, risk-free rates and correlation matrix. Awards granted prior to 2018 are earned based 50% upon a performance condition, measured by relative EPS growth to the industrial group of companies in the S&P 500 Index over a 3-year performance period, and 50% upon a market condition, measured by the Company's relative TSR as compared to the TSR of the industrial group of companies in the S&P 500 Index over a 3-year performance period.

Deferred Compensation

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

Note 13. Restructuring Activities

The Company incurs costs associated with announced restructuring initiatives intended to result in improved operating performance, profitability and working capital levels. Actions associated with these initiatives may include workforce reduction, improving manufacturing productivity, realignment of management structures and rationalizing certain assets. The following table details restructuring charges recorded during the three and nine months ended September 30:

	Three months ended		Nine months ended	
In millions	2018	2017	2018	2017
Climate	$14.9	$5.5	$23.0	$35.3
Industrial	4.8	3.8	42.0	11.9
Corporate and Other	0.4	0.7	6.6	1.0
Total	$20.1	$10.0	$71.6	$48.2
Cost of goods sold	$15.8	$6.8	$54.8	$39.4
Selling and administrative expenses	4.3	3.2	16.8	8.8
Total	$20.1	$10.0	$71.6	$48.2

The changes in the restructuring reserve for the nine months ended September 30, 2018 were as follows:

In millions	Climate	Industrial	Corporate and Other	Total
December 31, 2017	$ 7.4	$ 6.1	$ 2.5	$ 16.0
Additions, net of reversals [1]	23.0	35.7	6.6	65.3
Cash paid/other	(12.6)	(8.9)	(7.5)	(29.0)
September 30, 2018	$ 17.8	$ 32.9	$ 1.6	$ 52.3

(1) Excludes the non-cash costs of asset rationalizations ($6.3 million).

Restructuring actions primarily include workforce reductions as well as the closure and consolidation of manufacturing facilities in an effort to improve the Company's cost structure. During the nine months ended September 30, 2018, costs associated with announced restructuring actions primarily included the following:

- the plan to close a Non-U.S. manufacturing facility within the Industrial segment and relocate production to other U.S. and Non-U.S. facilities; and
- the notice of intent to close two U.S. manufacturing facilities within the Climate segment and relocate production to another existing U.S. facility.

As of September 30, 2018, the Company had $52.3 million accrued for costs associated with its announced restructuring actions, of which a majority is expected to be paid within one year. These actions primarily relate to workforce reduction benefits. In addition, the Company incurred $1.4 million of non-qualified restructuring charges during the nine months ended September 30, 2018, which represent costs that are directly attributable to restructuring activities, but do not fall into the severance, exit or disposal category. These non-qualified restructuring charges were incurred to improve the Company's cost structure.

Note 14. Other Income/(Expense), Net

The components of Other income/(expense), net for the three and nine months ended September 30 are as follows:

	Three months ended		Nine months ended	
In millions	2018	2017	2018	2017
Interest income	$0.1	$2.3	$6.3	$6.7
Exchange gain (loss)	(5.1)	(2.0)	(14.2)	(3.5)
Other components of net periodic benefit cost	(6.3)	(7.3)	(16.0)	(21.7)
Other activity, net	2.8	(0.6)	7.9	(5.3)
Other income/(expense), net	$(8.5)	$(7.6)	$(16.0)	$(23.8)

Other income /(expense), net includes the results from activities other than normal business operations such as interest income and foreign currency gains and losses on transactions that are denominated in a currency other than an entity's functional currency. In addition, the Company includes the components of net periodic benefit cost for pension and post retirement obligations other than the service cost component. Other activity, net includes items associated with Trane U.S. Inc. for the settlement and defense of asbestos-related claims, insurance settlements on asbestos-related matters and the revaluation of asbestos recoveries. Refer to Note 19, "Commitments and Contingencies," for more information regarding asbestos-related matters.

Note 15. Income Taxes

In December 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Act") which makes widespread changes to the Internal Revenue Code. The Act, among other things, reduced the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a transition tax on earnings of certain foreign subsidiaries that were previously not subject to U.S. tax and creates new income taxes on certain foreign sourced earnings.

The SEC issued Staff Accounting Bulletin No. 118 (SAB 118) which provides guidance on accounting for the tax effects of the Act and allows for adjustments to provisional amounts during a measurement period of up to one year. In accordance with SAB 118, the Company has made reasonable estimates related to (1) the remeasurement of U.S. deferred tax balances for the reduction in the tax rate, (2) the liability for the transition tax and (3) the taxes accrued relating to the change in permanent reinvestment assertion for unremitted earnings of certain foreign subsidiaries. As a result, the Company recognized a net provisional income tax benefit of $21.0 million associated with these items in 2017.

The Company continues to evaluate how the provisions of the Act will be accounted for under ASC 740, “Income Taxes” (ASC 740). The analysis is provisional and is subject to change due to the additional time required to accurately calculate and review the complex tax law. The Company will continue to assess any regulatory guidance that is issued which could have an impact on the provisional estimates. In addition, the Company is gathering information and performing additional analysis on these estimates, including, but not limited to, the amount of earnings and profits subject to the transition tax, the calculation of foreign tax credits, the local tax treatment of future distributions of unremitted earnings and in regard to the remeasurement of U.S. deferred taxes, the filing of its 2017 federal and state income tax returns. Measurement period adjustments are reported as a component of Provision for income taxes in the reporting period the amounts are determined. The final accounting will be completed no later than one year from the enactment of the Act.

During the nine months ended September 30, 2018, the Company recognized measurement period adjustments for (1) the remeasurement of U.S. deferred tax balances for the reduction in the tax rate, (2) the liability for the transition tax and (3) the taxes accrued relating to the change in permanent reinvestment assertion for unremitted earnings of certain foreign subsidiaries. A reconciliation of provisional amounts and related measurement period adjustments are as follows:

In millions	Provisional Amounts Reported	Measurement Period Adjustments	Updated Provisional Amounts
Remeasurement of deferred tax balances	$ (300.6)	$ 2.1	$ (298.5)
Transition tax [(1)]	160.7	(65.9)	94.8
Change in permanent reinvestment assertion [(1)]	118.9	(11.7)	107.2
Income tax benefit, net	$ (21.0)	$ (75.5)	$ (96.5)

(1) Net of foreign tax credits.

During the fourth quarter, the Company will finalize its adjustments to provisional amounts recorded taking into consideration the filing of U.S. State tax returns, the finalization of estimates and any further guidance issued by federal or state governmental authorities on the provisions contained in the Act.

The Company accounts for its Provision for income taxes in accordance with ASC 740, which requires an estimate of the annual effective income tax rate for the full year to be applied to the respective interim period, taking into account year-to-date amounts and projected results for the full year. For the nine months ended September 30, 2018 and September 30, 2017, the Company's effective income tax rate was 12.5% and 22.3%, respectively. The effective income tax rate for the nine months ended September 30, 2018 was lower than the U.S. statutory rate of 21% primarily due to the $75.5 million of measurement period adjustments associated with the Act (of which $77.1 million was recorded during the three months ended September 30, 2018) and a $28.5 million reduction in a deferred tax asset valuation allowance for certain state net deferred tax assets. Measurement period adjustments associated with the transition tax and the change in permanent reinvestment assertion primarily relate to the realization of foreign tax credits and result from the filing of the U.S. Federal income tax return, legislative guidance issued during the quarter and revised projections of future foreign sourced income during the carryforward period. The reduction in the valuation allowance for certain state net deferred tax assets is primarily the result of revised projections of future state taxable income during the carryforward period. In addition, the lower effective income tax rate was driven by excess tax benefits from employee share-based payments and a reduction to the interest liability associated with the Company's unrecognized tax benefits. These amounts were partially offset by U.S. state and local income taxes and certain non-deductible employee expenses. The effective tax rate for the nine months ended September 30, 2017 was lower than the U.S. statutory rate of 35% primarily due to excess tax benefits from employee share-based payments, the provision to return true-up due to the filing of the U.S. Federal income tax return, a reduction of a previously accrued tax liability due to obtaining approval from a local non-U.S. tax authority and earnings in non-U.S. jurisdictions, which in aggregate have a lower effective tax rate. These amounts were partially offset by a non-cash charge during the second quarter of 2017 related to the establishment of a valuation allowance on certain net deferred tax assets in Brazil of approximately $33 million.

Total unrecognized tax benefits as of September 30, 2018 and December 31, 2017 were $120.3 million and $120.5 million, respectively. Although management believes its tax positions and related provisions reflected in the Condensed Consolidated Financial Statements are fully supportable, it recognizes that these tax positions and related provisions may be challenged by various tax authorities. These tax positions and related provisions are reviewed on an ongoing basis and are adjusted as additional facts and information become available, including progress on tax audits, changes in interpretations of tax laws, developments in case law and closing of statute of limitations. To the extent that the ultimate results differ from the original or adjusted estimates of the Company, the effect will be recorded in Provision for income taxes.

The Provision for income taxes involves a significant amount of management judgment regarding interpretation of relevant facts and laws in the jurisdictions in which the Company operates. Future changes in applicable laws, projected levels of taxable income and tax planning could change the effective tax rate and tax balances recorded by the Company. In addition, tax authorities periodically review income tax returns filed by the Company and can raise issues regarding its filing positions, timing and amount of income or deductions, and the allocation of income among the jurisdictions in which the Company operates. A significant period of time may elapse between the filing of an income tax return and the ultimate resolution of an issue raised by a revenue authority with respect to that return. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Brazil, Canada, China, France, Germany, Ireland, Italy, Mexico, Spain, the Netherlands, the United Kingdom and the United States. These examinations on their own, or any subsequent litigation related to the examinations, may result in additional taxes or penalties against the Company. If the ultimate result of these audits differ from original or adjusted estimates, they could have a material impact on the Company's tax provision. In general, the examination of the Company's material tax returns is complete or effectively settled for the years prior to 2008, with certain matters prior to 2008 being resolved through appeals and litigation and also unilateral procedures as provided for under double tax treaties.

Note 16. Acquisitions and Divestitures

Acquisitions and Equity Method Investments

During the nine months ended September 30, 2018, the Company acquired several businesses and entered into a joint venture. The aggregate cash paid, net of cash acquired, totaled $281.5 million and was funded through cash on hand. Acquisitions are recorded using the acquisition method of accounting in accordance with ASC 805 "Business Combinations." As a result, the aggregate price has been allocated to assets acquired and liabilities assumed based on the estimate of fair market value of such assets and liabilities at the date of acquisition. Ownership interests in a joint venture are accounted for under the equity method when the Company does not have a controlling financial interest and reported within Other noncurrent assets on the Balance Sheet.

Primary activity during 2018 relates to the acquisition of ICS Group Holdings Limited in January 2018. The business, reported within the Climate segment, specializes in the temporary rental of energy efficient chillers for commercial and industrial buildings across Europe. In addition, the Company continues to acquire independent dealers to expand its distribution network. Intangible assets associated with these acquisitions totaled $49.8 million and primarily relate to trademarks and customer relationships. Any excess of the purchase price over the estimated fair value of net assets acquired is recognized as goodwill and totaled $116.1 million. For certain acquisitions, the Company is still in the process of valuing the acquired assets and liabilities assumed and will adjust preliminary values, if necessary, through measurement period adjustments once fair value estimates are finalized. The impact of these acquisitions are not considered material to the Company's results of operations.

In May 2018, the Company completed its investment of a 50% ownership interest in a joint venture with Mitsubishi Electric Corporation (Mitsubishi). The joint venture, reported within the Climate segment, will focus on marketing, selling and supporting variable refrigerant flow (VRF) and ductless heating and air conditioning systems through Trane, American Standard and Mitsubishi channels in the U.S. and select Latin American countries. Ongoing results since the date of investment are accounted for under the equity method and are not considered material to the Company's results of operations.

Divestitures

The Company has retained costs from previously sold businesses that mainly include expenses related to postretirement benefits, product liability and legal costs (mostly asbestos related). The components of Discontinued operations, net of tax for the three and nine months ended September 30 were as follows:

	Three months ended		Nine months ended	
In millions	2018	2017	2018	2017
Pre-tax earnings (loss) from discontinued operations	$(16.0)	$5.8	$(36.7)	$6.7
Tax benefit (expense)	4.3	(2.1)	9.7	(1.2)
Discontinued operations, net of tax	$(11.7)	$3.7	$(27.0)	$5.5

Pre-tax earnings (loss) from discontinued operations includes costs associated with Ingersoll Rand Company for the settlement and defense of asbestos-related claims, insurance settlements on asbestos-related matters and the revaluation of its liability for potential future claims. Refer to Note 19, "Commitments and Contingencies," for more information related to asbestos.

Note 17. Earnings Per Share (EPS)

Basic EPS is calculated by dividing Net earnings attributable to Ingersoll-Rand plc by the weighted-average number of ordinary shares outstanding for the applicable period. Diluted EPS is calculated after adjusting the denominator of the basic EPS calculation for the effect of all potentially dilutive ordinary shares, which in the Company's case, includes shares issuable under share-based compensation plans. The following table summarizes the weighted-average number of ordinary shares outstanding for basic and diluted earnings per share calculations for the three and nine months ended September 30:

	Three months ended		Nine months ended	
In millions	2018	2017	2018	2017
Weighted-average number of basic shares	246.4	253.3	248.1	256.4
Shares issuable under incentive stock plans	3.1	3.4	2.8	3.3
Weighted-average number of diluted shares	249.5	256.7	250.9	259.7
Anti-dilutive shares	0.7	1.0	1.5	1.6

Note 18. Business Segment Information

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that the operating segments' results are prepared on a management basis that is consistent with the manner in which the Company prepares financial information for internal review and decision making. The Company largely evaluates performance based on Segment operating income and Segment operating margins. Intercompany sales between segments are considered immaterial.

The Company's Climate segment delivers energy-efficient products and innovative energy services. It includes Trane® and American Standard® Heating & Air Conditioning which provide heating, ventilation and air conditioning (HVAC) systems, and commercial and residential building services, parts, support and controls; energy services and building automation through Trane Building Advantage and Nexia; and Thermo King® transport temperature control solutions.

The Company's Industrial segment delivers products and services that enhance energy efficiency, productivity and operations. It includes compressed air and gas systems and services, power tools, material handling systems, ARO® fluid management equipment, as well as Club Car ® golf, utility and consumer low-speed vehicles.

Segment operating income is the measure of profit and loss that the Company's chief operating decision maker uses to evaluate the financial performance of the business and as the basis for performance reviews, compensation and resource allocation. For these reasons, the Company believes that Segment operating income represents the most relevant measure of segment profit and loss.

A summary of operations by reportable segment for the three and nine months ended September 30 was as follows:

	Three months ended		Nine months ended	
In millions	2018	2017	2018	2017
Net revenues				
Climate	$3,238.7	$2,939.3	$9,342.3	$8,407.2
Industrial	792.2	731.2	2,430.8	2,172.3
Total	$4,030.9	$3,670.5	$11,773.1	$10,579.5
Segment operating income				
Climate	$535.6	$480.1	$1,378.7	$1,224.5
Industrial	110.7	89.0	291.8	247.0
Unallocated corporate expense	(59.3)	(63.0)	(199.8)	(192.8)
Operating income	$587.0	$506.1	$1,470.7	$1,278.7

In the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, the amounts disclosed for long-lived assets by geographic area at December 31, 2017 were inadvertently misstated. Management determined the disclosure error was not material to the 2017 financial statements. The revised amounts have been included below:

In millions	December 31, 2017
United States	$ 1,878.1
Non-U.S.	758.5
Total	$ 2,636.6

Note 19. Commitments and Contingencies

The Company is involved in various litigations, claims and administrative proceedings, including those related to environmental, asbestos, and product liability matters. In accordance with ASC 450, "Contingencies," the Company records accruals for loss contingencies when it is both probable that a liability will be incurred and the amount of the loss can be reasonably estimated. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in this note, management believes that any liability which may result from these legal matters would not have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

Environmental Matters

The Company continues to be dedicated to environmental and sustainability programs to minimize the use of natural resources, and reduce the utilization and generation of hazardous materials from our manufacturing processes and to remediate identified environmental concerns. As to the latter, the Company is currently engaged in site investigations and remediation activities to address environmental cleanup from past operations at current and former manufacturing facilities.

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

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

Reserves for environmental matters are classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on their expected term. As of September 30, 2018 and December 31, 2017, the Company has recorded reserves for environmental matters of $41.7 million and $41.9 million, respectively. Of these amounts, $36.3 million and $36.8 million, respectively, relate to remediation of sites previously disposed of by the Company.

Asbestos-Related Matters

Certain wholly-owned subsidiaries and former companies of ours are named as defendants in asbestos-related lawsuits in state and federal courts. In virtually all of the suits, a large number of other companies have also been named as defendants. The vast majority of those claims have been filed against either Ingersoll-Rand Company or Trane U.S. Inc. (Trane) and generally allege injury caused by exposure to asbestos contained in certain historical products sold by Ingersoll-Rand Company or Trane, primarily pumps, boilers and railroad brake shoes. None of our existing or previously-owned businesses were a producer or manufacturer of asbestos.

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

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

At September 30, 2018 and December 31, 2017, over 80 percent of the open claims against the Company are non-malignancy or unspecified disease claims, many of which have been placed on inactive or deferral dockets and the vast majority of which have little or no settlement value against the Company, particularly in light of recent changes in the legal and judicial treatment of such claims.

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

In millions	September 30, 2018	December 31, 2017
Accrued expenses and other current liabilities	$ 47.9	$ 48.2
Other noncurrent liabilities	512.8	556.6
Total asbestos-related liabilities	$ 560.7	$ 604.8
Other current assets	$ 60.3	$ 56.1
Other noncurrent assets	189.2	210.3
Total asset for probable asbestos-related insurance recoveries	$ 249.5	$ 266.4

The Company's asbestos insurance receivables related to Ingersoll-Rand Company and Trane were $130.5 million and $119.0 million at September 30, 2018, respectively, and $138.5 million and $127.9 million at December 31, 2017, respectively. The receivable attributable to Trane for probable insurance recoveries as of September 30, 2018 is entirely supported by settlement agreements between Trane and the respective insurance carriers. Most of these settlement agreements constitute "coverage-in-place" arrangements, in which the insurer signatories agree to reimburse Trane for specified portions of its costs for asbestos bodily injury claims and Trane agrees to certain claims-handling protocols and grants to the insurer signatories certain releases and indemnifications.

The costs associated with the settlement and defense of asbestos-related claims, insurance settlements on asbestos-related matters and the revaluation of the Company's liability for potential future claims are included in the income statement within continuing operations or discontinued operations depending on the business to which they relate. The income (expense) associated with these transactions, for the three and nine months ended September 30, were as follows:

	Three months ended		Nine months ended	
In millions	2018	2017	2018	2017
Continuing operations	$0.5	$0.2	$1.3	$(2.4)
Discontinued operations	(11.4)	11.5	(20.9)	22.9
Total	$(10.9)	$11.7	$(19.6)	$20.5

Ongoing income and expenses associated with Ingersoll-Rand Company's asbestos-related matters are recorded within discontinued operations as they relate to previously divested businesses, primarily Ingersoll-Dresser Pump, which was sold by the Company in 2000. During the second quarter of 2017, the Company reached a settlement with insurance carriers related to Ingersoll Rand Company asbestos matters. Ongoing income and expenses associated with Trane's asbestos-related matters are recorded within continuing operations.

In 2012 and 2013, Ingersoll-Rand Company filed actions in the Superior Court of New Jersey, Middlesex County, seeking a declaratory judgment and other relief regarding the Company's rights to defense and indemnity for asbestos claims. The defendants were several dozen solvent insurance companies, including companies that had been paying a portion of Ingersoll-Rand Company's asbestos claim defense and indemnity costs. The responding defendants generally challenged the Company's right to recovery, and raised various coverage defenses. Since filing the actions, Ingersoll-Rand Company has settled with approximately two-thirds of the insurer defendants, and has dismissed one of the actions in its entirety.

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

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

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

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

Warranty Liability

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

The changes in the standard product warranty liability for the nine months ended September 30 were as follows:

In millions	2018	2017
Balance at beginning of period	$270.5	$261.6
Reductions for payments	(120.2)	(107.4)
Accruals for warranties issued during the current period	122.5	101.6
Changes to accruals related to preexisting warranties	5.1	4.3
Translation	(1.6)	4.6
Balance at end of period	$276.3	$264.7

Standard product warranty liabilities are classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on their expected term. The Company's total current standard product warranty reserve at September 30, 2018 and December 31, 2017 was $145.1 million and $144.5 million, respectively.

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

The changes in the extended warranty liability for the nine months ended September 30 were as follows:

In millions	2018	2017
Balance at beginning of period	$293.0	$295.9
Amortization of deferred revenue for the period	(84.7)	(83.2)
Additions for extended warranties issued during the period	83.6	80.0
Changes to accruals related to preexisting warranties	0.1	0.5
Translation	(0.8)	2.0
Balance at end of period	$291.2	$295.2

The extended warranty liability is classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on the timing of when the deferred revenue is expected to be amortized into revenue. The Company's total current extended warranty liability at September 30, 2018 and December 31, 2017 was $100.5 million and $100.0 million, respectively.

Note 20. Guarantor Financial Information

Ingersoll-Rand plc (Plc or Parent Company) and certain of its 100% directly or indirectly owned subsidiaries provide guarantees of public debt issued by other 100% directly or indirectly owned subsidiaries. The following condensed consolidating financial information is provided so that separate financial statements of these subsidiary issuer and guarantors are not required to be filed with the U.S. Securities and Exchange Commission.

The following table shows the Company's guarantor relationships as of September 30, 2018:

Parent, issuer or guarantors	Notes issued	Notes guaranteed [1]
Ingersoll-Rand plc (Plc)	None	All registered notes and debentures
Ingersoll-Rand Irish Holdings Unlimited Company (Irish Holdings)	None	All notes issued by Global Holding and Lux Finance
Ingersoll-Rand Lux International Holding Company S.à.r.l. (Lux International)	None	All notes issued by Global Holding and Lux Finance
Ingersoll-Rand Global Holding Company Limited (Global Holding)	2.900% Senior notes due 2021 4.250% Senior notes due 2023 3.750% Senior notes due 2028 5.750% Senior notes due 2043 4.300% Senior notes due 2048	All notes issued by Lux Finance
Ingersoll-Rand Company (New Jersey)	9.000% Debentures due 2021 7.200% Debentures due 2019-2025 6.480% Debentures due 2025 Puttable debentures due 2027-2028	All notes issued by Global Holding and Lux Finance
Ingersoll-Rand Luxembourg Finance S.A. (Lux Finance)	2.625% Notes due 2020 3.550% Notes due 2024 4.650% Notes due 2044	All notes and debentures issued by Global Holding and New Jersey

[1] All subsidiary issuers and all guarantors provide irrevocable guarantees of borrowings, if any, made under revolving credit facilities.

Each subsidiary debt issuer and guarantor is owned 100% directly or indirectly by the Parent Company. Each guarantee is full and unconditional, and provided on a joint and several basis. There are no significant restrictions of the Parent Company, or any guarantor, to obtain funds from its subsidiaries, such as provisions in debt agreements that prohibit dividend payments, loans or advances to the parent by a subsidiary.

Basis of presentation

The following Condensed Consolidating Financial Statements present the financial position, results of operations and cash flows of each issuer or guarantor on a legal entity basis. The financial information for all periods has been presented based on the Company's legal entity ownerships and guarantees outstanding at September 30, 2018. Assets and liabilities are attributed to each issuer and guarantor generally based on legal entity ownership. Investments in subsidiaries of the Parent Company, subsidiary guarantors and issuers represent the proportionate share of their subsidiaries' net assets. Certain adjustments are needed to consolidate the Parent Company and its subsidiaries, including the elimination of investments in subsidiaries and related activity that occurs between entities in different columns. These adjustments are presented in the Consolidating Adjustments column. This basis of presentation is intended to comply with the specific reporting requirements for subsidiary issuers and guarantors, and is not intended to present the Company's financial position or results of operations or cash flows for any other purpose.

Condensed Consolidating Statement of Comprehensive Income
For the three months ended September 30, 2018

In millions	Plc	Irish Holdings	Lux International	Global Holding	New Jersey	Lux Finance	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net revenues	$—	$—	$—	$—	$345.7	$—	$3,785.3	$(100.1)	$4,030.9
Cost of goods sold	—	—	—	—	(252.0)	—	(2,566.4)	100.1	(2,718.3)
Selling and administrative expenses	(1.2)	—	(0.2)	(0.1)	(120.5)	(0.3)	(603.3)	—	(725.6)
Operating income (loss)	(1.2)	—	(0.2)	(0.1)	(26.8)	(0.3)	615.6	—	587.0
Equity earnings (loss) in subsidiaries, net of tax	528.0	527.3	435.1	427.4	404.8	67.5	—	(2,390.1)	—
Interest expense	—	—	0.1	(26.7)	(11.5)	(10.3)	(0.1)	—	(48.5)
Intercompany interest and fees	(11.9)	—	11.6	(58.8)	8.8	(3.8)	54.1	—	—
Other income/(expense), net	—	—	0.1	—	(3.5)	—	(5.1)	—	(8.5)
Earnings (loss) before income taxes	514.9	527.3	446.7	341.8	371.8	53.1	664.5	(2,390.1)	530.0
Benefit (provision) for income taxes	0.2	—	—	19.6	67.8	—	(86.5)	—	1.1
Earnings (loss) from continuing operations	515.1	527.3	446.7	361.4	439.6	53.1	578.0	(2,390.1)	531.1
Discontinued operations, net of tax	—	—	—	—	(12.2)	—	0.5	—	(11.7)
Net earnings (loss)	515.1	527.3	446.7	361.4	427.4	53.1	578.5	(2,390.1)	519.4
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	—	(4.3)	—	(4.3)
Net earnings (loss) attributable to Ingersoll-Rand plc	$515.1	$527.3	$446.7	$361.4	$427.4	$53.1	$574.2	$(2,390.1)	$515.1
Other comprehensive income (loss), net of tax	(15.2)	(15.2)	12.3	6.3	6.5	6.9	(20.6)	3.8	(15.2)
Comprehensive income (loss) attributable to Ingersoll-Rand plc	$499.9	$512.1	$459.0	$367.7	$433.9	$60.0	$553.6	$(2,386.3)	$499.9

Condensed Consolidating Statement of Comprehensive Income
For the nine months ended September 30, 2018

In millions	Plc	Irish Holdings	Lux International	Global Holding	New Jersey	Lux Finance	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net revenues	$—	$—	$—	$—	$1,038.4	$—	$11,037.4	$(302.7)	$11,773.1
Cost of goods sold	—	—	—	—	(758.0)	—	(7,647.3)	302.7	(8,102.6)
Selling and administrative expenses	(7.4)	—	(0.3)	(0.2)	(383.1)	(0.2)	(1,808.6)	—	(2,199.8)
Operating income (loss)	(7.4)	—	(0.3)	(0.2)	(102.7)	(0.2)	1,581.5	—	1,470.7
Equity earnings (loss) in subsidiaries, net of tax	1,113.0	1,111.8	914.1	918.4	969.5	156.1	—	(5,182.9)	—
Interest expense	—	—	0.1	(103.7)	(35.1)	(32.7)	(0.3)	—	(171.7)
Intercompany interest and fees	(21.4)	—	30.0	(137.1)	24.1	(7.4)	111.8	—	—
Other income/(expense), net	—	—	(0.1)	0.7	(11.6)	0.1	(5.1)	—	(16.0)
Earnings (loss) before income taxes	1,084.2	1,111.8	943.8	678.1	844.2	115.9	1,687.9	(5,182.9)	1,283.0
Benefit (provision) for income taxes	(0.6)	—	—	55.1	103.0	—	(317.4)	—	(159.9)
Earnings (loss) from continuing operations	1,083.6	1,111.8	943.8	733.2	947.2	115.9	1,370.5	(5,182.9)	1,123.1
Discontinued operations, net of tax	—	—	—	—	(29.0)	—	2.0	—	(27.0)
Net earnings (loss)	1,083.6	1,111.8	943.8	733.2	918.2	115.9	1,372.5	(5,182.9)	1,096.1
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	—	(12.5)	—	(12.5)
Net earnings (loss) attributable to Ingersoll-Rand plc	$1,083.6	$1,111.8	$943.8	$733.2	$918.2	$115.9	$1,360.0	$(5,182.9)	$1,083.6
Other comprehensive income (loss), net of tax	(141.0)	(140.6)	(109.8)	(59.7)	(59.9)	(46.4)	(158.2)	574.6	(141.0)
Comprehensive income (loss) attributable to Ingersoll-Rand plc	$942.6	$971.2	$834.0	$673.5	$858.3	$69.5	$1,201.8	$(4,608.3)	$942.6

Condensed Consolidating Statement of Comprehensive Income
For the three months ended September 30, 2017

In millions	Plc	Irish Holdings	Lux International	Global Holding	New Jersey	Lux Finance	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net revenues	$—	$—	$—	$—	$325.5	$—	$3,436.3	$(91.3)	$3,670.5
Cost of goods sold	—	—	—	—	(231.6)	—	(2,349.6)	91.3	(2,489.9)
Selling and administrative expenses	(3.8)	—	—	—	(86.2)	(0.1)	(584.4)	—	(674.5)
Operating income (loss)	(3.8)	—	—	—	7.7	(0.1)	502.3	—	506.1
Equity earnings (loss) in subsidiaries, net of tax	380.2	377.6	363.6	255.5	316.6	26.1	—	(1,719.6)	—
Interest expense	—	—	—	(31.7)	(11.8)	(10.2)	(0.2)	—	(53.9)
Intercompany interest and fees	(9.4)	—	(9.7)	(44.9)	(80.5)	(2.1)	146.6	—	—
Other income/(expense), net	—	—	0.1	—	(4.2)	—	(3.5)	—	(7.6)
Earnings (loss) before income taxes	367.0	377.6	354.0	178.9	227.8	13.7	645.2	(1,719.6)	444.6
Benefit (provision) for income taxes	—	—	—	28.0	24.3	—	(128.7)	—	(76.4)
Earnings (loss) from continuing operations	367.0	377.6	354.0	206.9	252.1	13.7	516.5	(1,719.6)	368.2
Discontinued operations, net of tax	—	—	—	—	3.5	—	0.2	—	3.7
Net earnings (loss)	367.0	377.6	354.0	206.9	255.6	13.7	516.7	(1,719.6)	371.9
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	—	(4.9)	—	(4.9)
Net earnings (loss) attributable to Ingersoll-Rand plc	$367.0	$377.6	$354.0	$206.9	$255.6	$13.7	$511.8	$(1,719.6)	$367.0
Other comprehensive income (loss), net of tax	116.8	116.6	107.4	48.6	48.6	60.5	112.5	(494.2)	116.8
Comprehensive income (loss) attributable to Ingersoll-Rand plc	$483.8	$494.2	$461.4	$255.5	$304.2	$74.2	$624.3	$(2,213.8)	$483.8

Condensed Consolidating Statement of Comprehensive Income
For the nine months ended September 30, 2017

in millions	Plc	Irish Holdings	Lux International	Global Holding	New Jersey	Lux Finance	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net revenues	$—	$—	$—	$—	$968.3	$—	$9,883.6	$(272.4)	$10,579.5
Cost of goods sold	—	—	—	—	(695.3)	—	(6,846.2)	272.4	(7,269.1)
Selling and administrative expenses	(12.0)	—	(0.1)	(0.9)	(308.6)	(0.3)	(1,709.8)	—	(2,031.7)
Operating income (loss)	(12.0)	—	(0.1)	(0.9)	(35.6)	(0.3)	1,327.6	—	1,278.7
Equity earnings (loss) in subsidiaries, net of tax	876.3	864.6	806.0	555.6	759.1	53.3	—	(3,914.9)	—
Interest expense	—	—	—	(95.2)	(35.6)	(30.6)	(0.6)	—	(162.0)
Intercompany interest and fees	(22.5)	—	(33.2)	(131.3)	(231.8)	(5.9)	424.7	—	—
Other income/(expense), net	—	—	0.1	—	(6.5)	—	(17.4)	—	(23.8)
Earnings (loss) before income taxes	841.8	864.6	772.8	328.2	449.6	16.5	1,734.3	(3,914.9)	1,092.9
Benefit (provision) for income taxes	0.9	—	—	82.9	102.0	—	(429.0)	—	(243.2)
Earnings (loss) from continuing operations	842.7	864.6	772.8	411.1	551.6	16.5	1,305.3	(3,914.9)	849.7
Discontinued operations, net of tax	—	—	—	—	3.9	—	1.6	—	5.5
Net earnings (loss)	842.7	864.6	772.8	411.1	555.5	16.5	1,306.9	(3,914.9)	855.2
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	—	(12.5)	—	(12.5)
Net earnings (loss) attributable to Ingersoll-Rand plc	$842.7	$864.6	$772.8	$411.1	$555.5	$16.5	$1,294.4	$(3,914.9)	$842.7
Other comprehensive income (loss), net of tax	413.6	412.7	383.3	262.9	262.6	120.7	409.0	(1,851.2)	413.6
Comprehensive income (loss) attributable to Ingersoll-Rand plc	$1,256.3	$1,277.3	$1,156.1	$674.0	$818.1	$137.2	$1,703.4	$(5,766.1)	$1,256.3

Condensed Consolidating Balance Sheet
September 30, 2018

In millions	Plc	Irish Holdings	Lux International	Global Holding	New Jersey	Lux Finance	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS									
Current assets:									
Cash and cash equivalents	$—	$—	$ 40.3	$—	$254.5	$—	$ 727.7	$—	$ 1,022.5
Accounts and notes receivable, net	—	—	0.2	—	170.7	—	2,581.2	—	2,752.1
Inventories, net	—	—	—	—	168.6	—	1,652.8	—	1,821.4
Other current assets	0.4	—	7.8	11.5	107.0	—	359.9	—	486.6
Intercompany receivables	10.8	—	574.9	—	3,083.2	—	6,183.2	(9,852.1)	—
Total current assets	11.2	—	623.2	11.5	3,784.0	—	11,504.8	(9,852.1)	6,082.6
Property, plant and equipment, net	—	—	0.1	—	319.2	—	1,354.1	—	1,673.4
Goodwill and other intangible assets, net	—	—	—	—	430.1	—	9,238.6	—	9,668.7
Other noncurrent assets	—	—	4.1	282.6	506.1	—	626.1	(539.1)	879.8
Investments in consolidated subsidiaries	9,158.2	9,115.9	3,545.9	11,320.5	11,536.2	1,256.9	—	(45,933.6)	—
Intercompany notes receivable	—	—	1,000.0	—	—	—	1,249.7	(2,249.7)	—
Total assets	$9,169.4	$9,115.9	$ 5,173.3	$11,614.6	$16,575.6	$1,256.9	$ 23,973.3	$ (58,574.5)	$ 18,304.5
LIABILITIES AND EQUITY									
Current liabilities:									
Accounts payable and accrued expenses	$10.8	$—	$ 0.2	$22.6	$584.8	$16.7	$ 3,338.3	$—	$ 3,973.4
Short-term borrowings and current maturities of long-term debt	—	—	—	—	350.4	—	0.2	—	350.6
Intercompany payables	1,850.5	—	1,102.3	3,437.7	2,848.5	552.7	60.4	(9,852.1)	—

Total current liabilities	1,861.3	—	1,102.5	3,460.3	3,783.7	569.4	3,398.9	(9,852.1)	4,324.0
Long-term debt	—	—	—	2,329.4	319.4	1,090.7	0.3	—	3,739.8
Other noncurrent liabilities	—	—	—	72.1	1,162.0	—	2,202.5	(539.1)	2,897.5
Intercompany notes payable	—	—	—	2,249.7	—	—	—	(2,249.7)	—
Total liabilities	1,861.3	—	1,102.5	8,111.5	5,265.1	1,660.1	5,601.7	(12,640.9)	10,961.3
Equity:									
Total equity	7,308.1	9,115.9	4,070.8	3,503.1	11,310.5	(403.2)	18,371.6	(45,933.6)	7,343.2
Total liabilities and equity	$9,169.4	$9,115.9	$5,173.3	$11,614.6	$16,575.6	$1,256.9	$23,973.3	$(58,574.5)	$18,304.5

Condensed Consolidating Balance Sheet
December 31, 2017

In millions	Plc	Irish Holdings	Lux International	Global Holding	New Jersey	Lux Finance	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS									
Current assets:									
Cash and cash equivalents	$—	$—	$0.6	$—	$359.3	$—	$1,189.5	$—	$1,549.4
Accounts and notes receivable, net	—	—	—	—	166.5	—	2,310.9	—	2,477.4
Inventories, net	—	—	—	—	168.5	—	1,386.9	—	1,555.4
Other current assets	0.2	—	5.7	112.6	76.2	—	342.2	—	536.9
Intercompany receivables	1,819.1	9,912.2	2,036.8	—	1,849.9	—	5,014.8	(20,632.8)	—
Total current assets	1,819.3	9,912.2	2,043.1	112.6	2,620.4	—	10,244.3	(20,632.8)	6,119.1
Property, plant and equipment, net	—	—	—	—	310.6	—	1,240.7	—	1,551.3
Goodwill and other intangible assets, net	—	—	—	—	436.0	—	9,242.6	—	9,678.6
Other noncurrent assets	—	—	—	185.4	471.1	—	550.8	(383.0)	824.3
Investments in consolidated subsidiaries	7,318.1	1,684.2	2,953.9	10,480.3	10,923.7	1,150.9	—	(34,511.1)	—
Total assets	$9,137.4	$11,596.4	$4,997.0	$10,778.3	$14,761.8	$1,150.9	$21,278.4	$(55,526.9)	$18,173.3
LIABILITIES AND EQUITY									
Current liabilities:									
Accounts payable and accrued expenses	$8.5	$—	$0.2	$27.3	$572.3	$6.9	$3,105.8	$—	$3,721.0
Short-term borrowings and current maturities of long-term debt	—	—	—	749.6	350.4	—	7.0	—	1,107.0

Intercompany payables	1,988.3	—	9,316.7	5,481.1	1,790.0	523.3	1,533.4	(20,632.8)	—
Total current liabilities	1,996.8	—	9,316.9	6,258.0	2,712.7	530.2	4,646.2	(20,632.8)	4,828.0
Long-term debt	—	—	—	1,539.9	326.8	1,089.7	0.6	—	2,957.0
Other noncurrent liabilities	0.3	—	—	92.4	1,251.8	—	2,219.9	(383.0)	3,181.4
Total liabilities	1,997.1	—	9,316.9	7,890.3	4,291.3	1,619.9	6,866.7	(21,015.8)	10,966.4
Equity:									
Total equity	7,140.3	11,596.4	(4,319.9)	2,888.0	10,470.5	(469.0)	14,411.7	(34,511.1)	7,206.9
Total liabilities and equity	$9,137.4	$11,596.4	$4,997.0	$10,778.3	$14,761.8	$1,150.9	$21,278.4	$(55,526.9)	$18,173.3

Condensed Consolidating Statement of Cash Flows
For the nine months ended September 30, 2018

in millions	Plc	Irish Holdings	Lux International	Global Holding	New Jersey	Lux Finance	Other Subsidiaries	Consolidating Adjustments	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:									
Net cash provided by (used in) continuing operating activities	$97.2	$(2.7)	$ 17.5	$(116.4)	$791.7	$(24.7)	$ 183.8	$ —	$946.4
Net cash provided by (used in) discontinued operating activities	—	—	—	—	(51.0)	—	2.0	—	(49.0)
Net cash provided by (used in) operating activities	97.2	(2.7)	17.5	(116.4)	740.7	(24.7)	185.8	—	897.4
CASH FLOWS FROM INVESTING ACTIVITIES:									
Capital expenditures	—	—	—	—	(69.0)	—	(182.2)	—	(251.2)
Acquisitions and equity method investments, net of cash acquired	—	—	—	—	—	—	(281.5)	—	(281.5)
Other investing activities, net	—	—	(4.0)	—	3.0	—	13.1	—	12.1
Intercompany investing activities, net	889.7	(648.3)	501.0	—	(1,205.7)	—	636.4	(173.1)	—
Net cash provided by (used in) continuing investing activities	889.7	(648.3)	497.0	—	(1,271.7)	—	185.8	(173.1)	(520.6)
CASH FLOWS FROM FINANCING ACTIVITIES:									
Net proceeds (repayments) from debt	—	—	—	31.6	(7.5)	—	(6.4)	—	17.7
Debt issuance costs	—	—	—	(12.0)	—	—	—	—	(12.0)
Dividends paid to ordinary shareholders	(351.2)	—	—	—	—	—	—	—	(351.2)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(41.1)	—	(41.1)
Repurchase of ordinary shares	(514.1)	—	—	—	—	—	—	—	(514.1)
Other financing activities, net	36.3	—	—	—	(1.2)	—	(3.3)	—	31.8
Intercompany financing activities, net	(157.9)	651.0	(474.8)	96.8	434.9	24.7	(747.8)	173.1	—
Net cash provided by (used in) continuing financing activities	(986.9)	651.0	(474.8)	116.4	426.2	24.7	(798.6)	173.1	(868.9)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—	—	(34.8)	—	(34.8)
Net increase (decrease) in cash and cash equivalents	—	—	39.7	—	(104.8)	—	(461.8)	—	(526.9)

Cash and cash equivalents - beginning of period	—	—	0.6	—	359.3	—	1,189.5	—	1,549.4
Cash and cash equivalents - end of period	$—	$—	$ 40.3	$—	$254.5	$—	$ 727.7	$ —	$ 1,022.5

Condensed Consolidating Statement of Cash Flows
For the nine months ended September 30, 2017

in millions	Plc	Irish Holdings	Lux International	Global Holding	New Jersey	Lux Finance	Other Subsidiaries	Consolidating Adjustments	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:									
Net cash provided by (used in) continuing operating activities	$82.7	$ —	$(17.5)	$(214.2)	$228.1	$(23.9)	$835.6	$ —	$890.8
Net cash provided by (used in) discontinued operating activities	—	—	—	—	(15.5)	—	(2.1)	—	(17.6)
Net cash provided by (used in) operating activities	82.7	—	(17.5)	(214.2)	212.6	(23.9)	833.5	—	873.2
CASH FLOWS FROM INVESTING ACTIVITIES:									
Capital expenditures	—	—	—	—	(59.8)	—	(90.1)	—	(149.9)
Acquisitions and equity method investments, net of cash acquired	—	—	—	—	(2.7)	—	(57.6)	—	(60.3)
Other investing activities, net	—	—	—	—	—				