Ingersoll-Rand plc
Form 10-Q
May 01, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019
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 April 19, 2019 was 241,158,226.

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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 March 31,	
In millions, except per share amounts	2019	2018
Net revenues	$3,575.9	$3,384.5
Cost of goods sold	(2,517.3)	(2,420.2)
Selling and administrative expenses	(740.1)	(720.9)
Operating income	318.5	243.4
Interest expense	(50.9)	(72.9)
Other income/(expense), net	(18.8)	(4.0)
Earnings before income taxes	248.8	166.5
Provision for income taxes	(43.0)	(33.0)
Earnings from continuing operations	205.8	133.5
Discontinued operations, net of tax	(2.1)	(9.4)
Net earnings	203.7	124.1
Less: Net earnings attributable to noncontrolling interests	(3.8)	(3.7)
Net earnings attributable to Ingersoll-Rand plc	$199.9	$120.4
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:		
Continuing operations	$202.0	$129.8
Discontinued operations	(2.1)	(9.4)
Net earnings	$199.9	$120.4
Earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:		
Basic:		
Continuing operations	$0.83	$0.52
Discontinued operations	(0.01)	(0.04)
Net earnings	$0.82	$0.48
Diluted:		
Continuing operations	$0.82	$0.51
Discontinued operations	—	(0.03)
Net earnings	$0.82	$0.48
Weighted-average shares outstanding:		
Basic	242.5	250.4
Diluted	245.2	253.0
Total comprehensive income	$209.6	$276.6
Less: Total comprehensive income attributable to noncontrolling interests	4.2	4.1
Total comprehensive income attributable to Ingersoll-Rand plc	$205.4	$272.5

See accompanying notes to Condensed Consolidated Financial Statements.

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INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED BALANCE SHEETS

In millions	(Unaudited) March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,907.4	$ 903.4
Accounts and notes receivable, net	2,710.3	2,679.2
Inventories, net	1,983.7	1,677.8
Other current assets	483.3	471.6
Total current assets	7,084.7	5,732.0
Property, plant and equipment, net	1,738.4	1,730.8
Goodwill	5,968.6	5,959.5
Intangible assets, net	3,608.5	3,634.7
Other noncurrent assets	1,380.8	857.9
Total assets	$ 19,781.0	$ 17,914.9
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,800.1	$ 1,705.3
Accrued compensation and benefits	363.4	531.6
Accrued expenses and other current liabilities	1,950.6	1,728.2
Short-term borrowings and current maturities of long-term debt	374.4	350.6
Total current liabilities	4,488.5	4,315.7
Long-term debt	5,226.5	3,740.7
Postemployment and other benefit liabilities	1,191.4	1,192.9
Deferred and noncurrent income taxes	527.2	538.4
Other noncurrent liabilities	1,424.6	1,062.4
Total liabilities	12,858.2	10,850.1
Equity:		
Ingersoll-Rand plc shareholders' equity:		
Ordinary shares	265.5	266.4
Ordinary shares held in treasury, at cost	(1,719.4)	(1,719.4)
Retained earnings	9,298.3	9,439.8
Accumulated other comprehensive income (loss)	(958.6)	(964.1)
Total Ingersoll-Rand plc shareholders' equity	6,885.8	7,022.7
Noncontrolling interests	37.0	42.1
Total equity	6,922.8	7,064.8
Total liabilities and equity	$ 19,781.0	$ 17,914.9

See accompanying notes to Condensed Consolidated Financial Statements.

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INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

In millions, except per share amounts	Total equity	Ordinary shares Amount	Ordinary shares Shares	Ordinary shares held in treasury, at cost	Capital in excess of par value	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling Interest
Balance at December 31, 2018	$7,064.8	$266.4	266.4	$(1,719.4)	$ —	$9,439.8	$ (964.1)	$ 42.1
Net earnings	203.7	—	—	—	—	199.9	—	3.8
Other comprehensive income (loss)	5.9	—	—	—	—	—	5.5	0.4
Shares issued under incentive stock plans	6.3	1.5	1.5	—	4.8	—	—	—
Repurchase of ordinary shares	(250.0)	(2.4)	(2.4)	—	(34.6)	(213.0)	—	—
Share-based compensation	29.0	—	—	—	29.7	(0.7)	—	—
Dividends declared to noncontrolling interest	(9.3)	—	—	—	—	—	—	(9.3)
Cash dividends declared	(127.7)	—	—	—	—	(127.7)	—	—
Other	0.1	—	—	—	0.1	—	—	—
Balance at March 31, 2019	$6,922.8	$265.5	265.5	$(1,719.4)	$ —	$9,298.3	$ (958.6)	$ 37.0

In millions, except per share amounts	Total equity	Ordinary shares Amount	Ordinary shares Shares	Ordinary shares held in treasury, at cost	Capital in excess of par value	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling Interest
Balance at December 31, 2017	$7,206.9	$274.0	274.0	$(1,719.4)	$461.3	$8,903.2	$ (778.8)	$ 66.6
Net earnings	124.1	—	—	—	—	120.4	—	3.7
Other comprehensive income (loss)	152.5	—	—	—	—	—	152.1	0.4
Shares issued under incentive stock plans	6.6	1.3	1.3	—	5.3	—	—	—
Repurchase of ordinary shares	(250.0)	(2.8)	(2.8)	—	(247.2)	—	—	—
Share-based compensation	30.0	—	—	—	30.5	(0.5)	—	—
Dividends declared to noncontrolling interest	(11.0)	—	—	—	—	—	—	(11.0)
Adoption of ASU 2014-09	2.4	—	—	—	—	2.4	—	—
Adoption of ASU 2016-16	(9.1)	—	—	—	—	(9.1)	—	—
Cash dividends declared	(112.0)	—	—	—	—	(112.0)	—	—
Balance at March 31, 2018	$7,140.4	$272.5	272.5	$(1,719.4)	$249.9	$8,904.4	$ (626.7)	$ 59.7

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Three months ended March 31,	
In millions	2019	2018
Cash flows from operating activities:		
Net earnings	$203.7	$124.1
Discontinued operations, net of tax	2.1	9.4
Adjustments for non-cash transactions:		
Depreciation and amortization	89.3	93.4
Changes in assets and liabilities, net	(400.5)	(330.7)
Other non-cash items, net	68.3	58.0
Net cash provided by (used in) continuing operating activities	(37.1)	(45.8)
Net cash provided by (used in) discontinued operating activities	(15.5)	(20.4)
Net cash provided by (used in) operating activities	(52.6)	(66.2)
Cash flows from investing activities:		
Capital expenditures	(60.8)	(52.8)
Acquisitions of businesses, net of cash acquired	(22.0)	(201.6)
Other investing activities, net	6.4	(3.3)
Net cash provided by (used in) continuing investing activities	(76.4)	(257.7)
Cash flows from financing activities:		
Short-term borrowings (payments), net	23.9	247.9
Proceeds from long-term debt	1,497.9	1,147.0
Payments of long-term debt	—	(1,115.4)
Net proceeds from (payments of) debt	1,521.8	279.5
Debt issuance costs	(10.6)	(8.5)
Dividends paid to ordinary shareholders	(127.7)	(111.6)
Dividends paid to noncontrolling interests	(9.3)	(11.0)
Repurchase of ordinary shares	(250.0)	(250.0)
Other financing activities, net	5.9	5.2
Net cash provided by (used in) continuing financing activities	1,130.1	(96.4)
Effect of exchange rate changes on cash and cash equivalents	2.9	46.0
Net increase (decrease) in cash and cash equivalents	1,004.0	(374.3)
Cash and cash equivalents - beginning of period	903.4	1,549.4
Cash and cash equivalents - end of period	$1,907.4	$1,175.1

See accompanying notes to Condensed Consolidated Financial Statements.

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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, 2018. 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.
Note 2. Recent Accounting Pronouncements
The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 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 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. ASU 2018-02 is effective for annual reporting periods beginning after December 15, 2018 with early adoption permitted. However, the FASB made the reclassification optional. As a result, the Company assessed the impact of the ASU on its financial statements and did not exercise the option to reclassify the stranded tax effects caused by the Act.
In February 2016, the FASB issued ASU 2016-02, “Leases” (ASC 842), 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 Company adopted this standard using a modified-retrospective approach as of January 1, 2019. Under this approach, the Company recognized and recorded a right-of-use (ROU) asset and related lease liability on the Condensed Consolidated Balance Sheet of $521 million with no impact to Retained earnings. Reporting periods prior to January 1, 2019 continue to be presented in accordance with previous lease accounting guidance under GAAP. As part of the adoption, the Company elected the package of practical expedients permitted under the transition guidance which includes the ability to carry forward historical lease classification. Refer to Note 9, “Leases,” for a further discussion on the adoption of ASC 842.
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.

Note 3. Inventories

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

The major classes of inventory were as follows:

In millions	March 31, 2019	December 31, 2018
Raw materials	$609.7	$ 550.5
Work-in-process	211.7	182.0
Finished goods	1,245.2	1,028.8
	2,066.6	1,761.3
LIFO reserve	(82.9)	(83.5)
Total	$1,983.7	$ 1,677.8

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 $121.5 million and $119.9 million at March 31, 2019 and December 31, 2018, 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.

The changes in the carrying amount of goodwill for the three months ended March 31, 2019 were as follows:

In millions	Climate	Industrial	Total
Net balance as of December 31, 2018	$5,099.2	$ 860.3	$5,959.5
Acquisitions	14.6	—	14.6
Currency translation	(2.8)	(2.7)	(5.5)
Net balance as of March 31, 2019	$5,111.0	$ 857.6	$5,968.6

The net goodwill balances at March 31, 2019 and December 31, 2018 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:

	March 31, 2019			December 31, 2018		
In millions	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Completed technologies/patents	$207.7	$ (183.5)	$24.2	$206.6	$ (182.0)	$24.6
Customer relationships	2,094.0	(1,207.3)	886.7	2,086.8	(1,176.3)	910.5
Other	84.4	(55.9)	28.5	84.5	(54.4)	30.1
Total finite-lived intangible assets	2,386.1	(1,446.7)	939.4	2,377.9	(1,412.7)	965.2
Trademarks (indefinite-lived)	2,669.1	—	2,669.1	2,669.5	—	2,669.5
Total	$5,055.2	$ (1,446.7)	$3,608.5	$5,047.4	$ (1,412.7)	$3,634.7

Intangible asset amortization expense was $34.7 million and $35.2 million for the three months ended March 31, 2019 and 2018, respectively.

Note 6. Debt and Credit Facilities

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

In millions	March 31, 2019	December 31, 2018
Debentures with put feature	$ 343.0	$ 343.0
Commercial Paper	23.9	—
Other current maturities of long-term debt	7.5	7.6
Total	$ 374.4	$ 350.6

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. The Company had an outstanding balance of $23.9 million under its commercial paper program as of March 31, 2019. However, no amounts were outstanding at December 31, 2018.

Debentures with Put Feature

At March 31, 2019 and December 31, 2018, 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 2019, subject to the notice requirement. No material exercises were made.

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

In millions	March 31, 2019	December 31, 2018
2.625% Senior notes due 2020	$ 299.5	$ 299.4
2.900% Senior notes due 2021	298.5	298.3
9.000% Debentures due 2021	124.9	124.9
4.250% Senior notes due 2023	697.3	697.1
7.200% Debentures due 2020-2025	44.8	44.8
3.550% Senior notes due 2024	496.1	495.9
6.480% Debentures due 2025	149.7	149.7
3.500% Senior notes due 2026	396.4	—
3.750% Senior notes due 2028	544.6	544.5
3.800% Senior notes due 2029	743.0	—
5.750% Senior notes due 2043	494.3	494.3
4.650% Senior notes due 2044	295.8	295.8
4.300% Senior notes due 2048	295.9	295.9
4.500% Senior notes due 2049	345.4	—
Other loans and notes	0.3	0.1
Total	$ 5,226.5	$ 3,740.7

Issuance of Senior Notes

In March 2019, the Company issued $1.5 billion principal amount of senior notes in three tranches through an indirect, wholly-owned subsidiary. The tranches consist of $400 million aggregate principal amount of 3.500% senior notes due 2026, $750 million aggregate principal amount of 3.800% senior notes due 2029 and $350 million aggregate principal amount of 4.500% senior notes due 2049. The notes are fully and unconditionally guaranteed by each of Ingersoll Rand plc, Ingersoll-Rand Global Holding Company Limited, Ingersoll-Rand Lux International Holding Company S.à.r.l, Ingersoll-Rand Irish Holdings Unlimited Company, and Ingersoll-Rand Company. 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. The Company intends to use the net proceeds to finance a pending acquisition (Refer to Note 17, "Acquisitions and Divestitures" for a further discussion on the pending acquisition). During the three months ended March 31, 2019, the Company capitalized $13.1 million of debt issuance costs which will be amortized over the remaining life of the debt.

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, one of which matures in March 2021 and the other in April 2023, 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 March 31, 2019 and December 31, 2018.

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 March 31, 2019 and December 31, 2018 was $5.9 billion and $4.2 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 March 31, 2019 are the same as those used at December 31, 2018.

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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, commodity price and foreign currency exposures. These financial instruments are not used for trading or speculative purposes. The Company recognizes all derivatives on the Consolidated Balance Sheet at their fair value as either assets or liabilities.

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 to Accumulated other comprehensive income (AOCI). 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:

In millions	Derivative assets		Derivative liabilities	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Derivatives designated as hedges:				
Currency derivatives designated as hedges	$0.9	$ 1.3	$2.5	$ 0.7
Derivatives not designated as hedges:				
Currency derivatives not designated as hedges	0.5	0.9	0.8	0.6
Total derivatives	$1.4	$ 2.2	$3.3	$ 1.3

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 $0.4 billion and $0.6 billion at March 31, 2019 and December 31, 2018, respectively. At March 31, 2019 and December 31, 2018, a net loss of $1.0 million and a net gain of $0.5 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 $1.0 million. The actual amounts that will be reclassified to Net earnings may vary from this amount as a result of changes in market conditions. Gains and losses associated with the Company’s currency derivatives not designated as hedges are recorded in Net earnings as changes in fair value occur. At March 31, 2019, the maximum term of the Company’s currency derivatives was approximately 12 months, except for currency derivatives in place related to a certain long-term contract.

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 $6.5 million at March 31, 2019 and $6.7 million at December 31, 2018. The net deferred gain at March 31, 2019 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 March 31, 2019 or December 31, 2018.

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

In millions	Amount of gain (loss) recognized in AOCI 2019	2018	Location of gain (loss) reclassified from AOCI and recognized into Net earnings	Amount of gain (loss) reclassified from AOCI and recognized into Net earnings 2019	2018
Currency derivatives designated as hedges	$ (1.5)	$ 2.1	Cost of goods sold	$ (0.3)	$ (0.4)
Interest rate swaps & locks	—	—	Interest expense	0.2	(0.6)
Total	$ (1.5)	$ 2.1		$ (0.1)	$ (1.0)

The following table represents the amounts associated with derivatives not designated as hedges affecting Other income/(expense), net for the three months ended March 31:

In millions	Amount of gain (loss) recognized in Net earnings 2019	2018
Currency derivatives not designated as hedges	$ (3.1)	$ 9.7
Total	$ (3.1)	$ 9.7

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.

The following table presents the effects of the Company's designated financial instruments on the associated financial statement line item within the Consolidated Statement of Comprehensive Income where the financial instrument are recorded for the three months ended March 31:

	Classification and amount of gain (loss) recognized in income on cash flow hedging relationships			
	2019		2018	
In millions	Cost of goods sold	Interest expense	Cost of goods sold	Interest expense
Total amounts presented in the Consolidated Statements of Comprehensive Income	$(2,517.3)	$(50.9)	$(2,420.2)	$