Ingersoll-Rand plc
Form 10-Q
April 26, 2016
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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 March 31, 2016
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-34400

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

The number of ordinary shares outstanding of Ingersoll-Rand plc as of April 15, 2016 was 257,463,751.

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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	2016	2015
Net revenues	$2,894.1	$2,887.8
Cost of goods sold	(2,047.0)	(2,086.7)
Selling and administrative expenses	(629.8)	(630.0)
Operating income	217.3	171.1
Interest expense	(56.7)	(55.1)
Other income/(expense), net	10.0	(26.4)
Earnings before income taxes	170.6	89.6
Provision for income taxes	(41.9)	(26.9)
Earnings from continuing operations	128.7	62.7
Discontinued operations, net of tax	26.9	(7.3)
Net earnings	155.6	55.4
Less: Net earnings attributable to noncontrolling interests	(3.2)	(4.1)
Net earnings attributable to Ingersoll-Rand plc	$152.4	$51.3
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:		
Continuing operations	$125.5	$58.6
Discontinued operations	26.9	(7.3)
Net earnings	$152.4	$51.3
Earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:		
Basic:		
Continuing operations	$0.48	$0.22
Discontinued operations	0.10	(0.03)
Net earnings	$0.58	$0.19
Diluted:		
Continuing operations	$0.48	$0.22
Discontinued operations	0.10	(0.03)
Net earnings	$0.58	$0.19
Weighted-average shares outstanding:		
Basic	259.4	265.4
Diluted	261.3	268.5
Dividends declared per ordinary share	$0.32	$0.29
Total comprehensive income (loss)	$298.5	$(224.7)
Less: Total comprehensive income attributable to noncontrolling interests	(4.1)	(4.3)
Total comprehensive income (loss) attributable to Ingersoll-Rand plc	$294.4	$(229.0)

See accompanying notes to Condensed Consolidated Financial Statements.

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INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED BALANCE SHEETS

In millions	(Unaudited) March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 612.9	$ 736.8
Accounts and notes receivable, net	2,155.1	2,150.6
Inventories, net	1,612.7	1,410.7
Other current assets	432.2	311.3
Total current assets	4,812.9	4,609.4
Property, plant and equipment, net	1,582.2	1,575.1
Goodwill	5,784.4	5,730.2
Intangible assets, net	3,903.1	3,926.1
Other noncurrent assets	869.9	876.8
Total assets	$ 16,952.5	$ 16,717.6
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,345.8	$ 1,249.3
Accrued compensation and benefits	350.1	437.4
Accrued expenses and other current liabilities	1,476.2	1,457.5
Short-term borrowings and current maturities of long-term debt	758.0	504.2
Total current liabilities	3,930.1	3,648.4
Long-term debt	3,714.6	3,713.6
Postemployment and other benefit liabilities	1,395.7	1,409.9
Deferred and noncurrent income taxes	916.6	896.1
Other noncurrent liabilities	1,142.8	1,170.4
Total liabilities	11,099.8	10,838.4
Equity:		
Ingersoll-Rand plc shareholders’ equity:		
Ordinary shares	270.0	269.0
Ordinary shares held in treasury, at cost	(702.7)	(452.6)
Capital in excess of par value	237.1	223.3
Retained earnings	6,967.3	6,897.9
Accumulated other comprehensive income (loss)	(978.9)	(1,120.9)
Total Ingersoll-Rand plc shareholders’ equity	5,792.8	5,816.7
Noncontrolling interest	59.9	62.5
Total equity	5,852.7	5,879.2
Total liabilities and equity	$ 16,952.5	$ 16,717.6

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	2016	2015
Cash flows from operating activities:		
Net earnings	$155.6	$55.4
Discontinued operations, net of tax	(26.9)	7.3
Adjustments for non-cash transactions:		
Depreciation and amortization	88.0	87.9
Changes in assets and liabilities, net	(245.8)	(329.7)
Other non-cash items, net	23.8	63.9
Net cash used in continuing operating activities	(5.3)	(115.2)
Net cash used in discontinued operating activities	(6.7)	(10.0)
Net cash used in operating activities	(12.0)	(125.2)
Cash flows from investing activities:		
Capital expenditures	(40.1)	(55.7)
Acquisition of businesses, net of cash acquired	—	(941.7)
Proceeds from sale of property, plant and equipment	—	4.0
Net cash used in continuing investing activities	(40.1)	(993.4)
Cash flows from financing activities:		
Short-term borrowings, net	254.0	327.1
Proceeds from long-term debt	—	0.1
Payments of long-term debt	—	(16.1)
Net proceeds from debt	254.0	311.1
Debt issuance costs	(2.1)	—
Dividends paid to ordinary shareholders	(82.2)	(73.8)
Dividends paid to noncontrolling interests	(6.7)	—
Repurchase of ordinary shares	(250.1)	—
Other financing activities, net	(6.7)	19.5
Net cash provided by (used in) continuing financing activities	(93.8)	256.8
Effect of exchange rate changes on cash and cash equivalents	22.0	(109.5)
Net decrease in cash and cash equivalents	(123.9)	(971.3)
Cash and cash equivalents - beginning of period	736.8	1,705.2
Cash and cash equivalents - end of period	$612.9	$733.9

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, 2015. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which include normal recurring adjustments, necessary to present fairly the condensed consolidated results for the interim periods presented. 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 our consolidated financial statements.

Recently Adopted Accounting Pronouncements

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement Period Adjustments" (ASU 2015-16) which eliminates the requirement for an acquirer in a business combination to account for measurement period adjustments retrospectively. As a result, adjustments to provisional amounts that are identified during the measurement period are recognized in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, with early adoption permitted. The Company adopted this guidance on January 1, 2016 and will apply provisions, as applicable, on future acquisitions.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03) which amends the current presentation of debt issuance costs in the financial statements. ASU 2015-03 requires an entity to present debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. ASU 2015-03 is effective on a retrospective basis for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those annual periods. The Company adopted this standard on January 1, 2016 and has retrospectively adjusted the prior period presented. This change in classification resulted in a net $21.2 million decrease to Other concurrent assets with a corresponding decrease to Long-term debt as of December 31, 2015.

In April 2015, the FASB issued ASU 2015-05, "Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement" (ASU 2015-05) which provides guidance about whether a cloud computing arrangement includes a software license and how to account for the license under each scenario. The guidance is effective for annual periods beginning after December 15, 2015, including interim periods within those annual periods. A reporting entity may apply the guidance prospectively to all arrangements entered into or materially modified after the effective date, or retrospectively to all prior periods presented in the financial statements. Early adoption is permitted. The Company adopted this guidance on January 1, 2016. The adoption of the new guidance did not have an impact on the Company’s financial statements.

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09) which simplifies several aspects of the accounting for employee share-based payment transactions. The guidance makes several modifications to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. In addition, ASU 2016-09 clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, although early adoption is permitted. The Company is currently assessing how the adoption of this standard will impact 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. The guidance is required to be adopted at the earliest period presented using a modified retrospective approach. The Company is currently assessing the impact on the financial statements.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory" (ASU 2015-11). ASU 2015-11 requires that inventory within the scope of the standard be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal and transportation. The amendments in this update do not apply to inventory measured using the last-in, first-out or the retail inventory method. The amendments apply to all other inventory, which includes inventory measured using the first-in, first-out or average cost method. ASU 2015-11 is effective for annual periods beginning after December 15, 2016, including interim periods within those annual periods, with early adoption permitted. The adoption of the new guidance is not expected to have a material impact on the Company's financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (ASC 606), which creates 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 the new guidance, 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. In addition, ASC 606 enhances disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. ASC 606 is effective for annual reporting periods beginning after December 15, 2017 and is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. Early adoption is permitted, but not before the original effective date of the standard. The Company is currently determining its implementation approach and assessing the impact on the 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, 2016	December 31, 2015
Raw materials	$513.0	$ 514.9
Work-in-process	186.7	131.0
Finished goods	973.3	825.7
	1,673.0	1,471.6
LIFO reserve	(60.3)	(60.9)
Total	$1,612.7	$ 1,410.7

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 $105.5 million and $100.4 million at March 31, 2016 and December 31, 2015, respectively.

Note 4. Goodwill

The Company records as goodwill the excess of the purchase price over the fair value of the net assets acquired. Once the final valuation has been performed for each acquisition, adjustments may be recorded. 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 a reporting unit may be less than the carrying amount of the reporting unit.

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The changes in the carrying amount of goodwill for the three months ended March 31, 2016 were as follows:

In millions	Climate	Industrial	Total
Net balance as of December 31, 2015	$4,952.6	$ 777.6	$5,730.2
Currency translation	45.9	8.3	54.2
Net balance as of March 31, 2016	$4,998.5	$ 785.9	$5,784.4

The net goodwill balances at March 31, 2016 and December 31, 2015 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 being 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, 2016			December 31, 2015		
In millions	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Completed technologies/patents	$216.5	$ (171.7)	$44.8	$214.9	$ (168.7)	$46.2
Customer relationships	2,029.3	(843.9)	1,185.4	2,019.8	(811.5)	1,208.3
Other	65.0	(47.5)	17.5	63.5	(45.7)	17.8
Total finite-lived intangible assets	2,310.8	(1,063.1)	1,247.7	2,298.2	(1,025.9)	1,272.3
Trademarks (indefinite-lived)	2,655.4	—	2,655.4	2,653.8	—	2,653.8
Total	$4,966.2	$ (1,063.1)	$3,903.1	$4,952.0	$ (1,025.9)	$3,926.1

Intangible asset amortization expense was $32.9 million and $37.0 million for the three months ended March 31, 2016 and 2015, 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, 2016	December 31, 2015
Debentures with put feature	$ 343.0	$ 343.0
Commercial Paper	397.0	143.0
Other current maturities of long-term debt	7.8	7.8
Short-term borrowings	10.2	10.4
Total	$ 758.0	$ 504.2

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 March 31, 2016.

Debentures with Put Feature

At March 31, 2016 and December 31, 2015, 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 2016, subject to the notice requirement. No material exercises were made.

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

In millions	March 31, 2016	December 31, 2015
6.875% Senior notes due 2018	$ 748.1	$ 748.0
2.875% Senior notes due 2019	348.3	348.1
2.625% Senior notes due 2020	298.1	298.0
9.000% Debentures due 2021	124.8	124.8
4.250% Senior notes due 2023	695.2	695.0
7.200% Debentures due 2016-2025	67.2	67.1
3.550% Senior notes due 2024	493.9	493.7
6.480% Debentures due 2025	149.7	149.7
5.750% Senior notes due 2043	493.4	493.4
4.650% Senior notes due 2044	295.2	295.2
Other loans and notes	0.7	0.6
Subtotal	3,714.6	3,713.6

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 2019 and the other in March 2021 (the 2021 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 International Holding Limited, 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. The 2021 Facility, which was entered into on March 15, 2016, terminated the previously outstanding revolving credit facility set to mature in March 2017. Total commitments of $2.0 billion were unused at March 31, 2016 and December 31, 2015.

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, 2016 and December 31, 2015 was $4.9 billion and $4.5 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, 2016 are the same as those used at December 31, 2015.

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

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

In millions	Derivative assets		Derivative liabilities	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Derivatives designated as hedges:				
Currency derivatives designated as hedges	$2.2	$ 0.6	$0.4	$ 0.2
Derivatives not designated as hedges:				
Currency derivatives not designated as hedges	23.3	4.4	1.8	12.4
Total derivatives	$25.5	$ 5.0	$2.2	$ 12.6

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 $1.0 billion and $1.1 billion at March 31, 2016 and December 31, 2015, respectively. At March 31, 2016 and December 31, 2015, a gain of $1.7 million and $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 gain of $1.7 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, 2016, the maximum term of the Company's currency derivatives was approximately 12 months.

Other Derivative Instruments

The Company has utilized forward-starting interest rate swaps and interest rate locks to manage interest rate exposure in periods prior to the anticipated issuance of fixed-rate debt. These instruments have been designated as cash flow hedges and have a notional amount of $1.3 billion at March 31, 2016 and December 31, 2015, respectively. Consequently, when the contracts were settled upon the issuance of the underlying debt, any realized gains or losses in the fair values of the instruments were initially deferred into Accumulated other comprehensive income. These deferred gains or losses are subsequently recognized into Interest expense over the term of the related notes. The net unrecognized gain in AOCI was $5.6 million at March 31, 2016 and $5.5 million at December 31, 2015. The net deferred gain at March 31, 2016 will be amortized over the term of notes with maturities ranging from 2018 to 2044. The amount expected to be amortized over the next twelve months is a net loss of $0.5 million. There were no forward-starting interest rate swaps or interest rate lock contracts outstanding at March 31, 2016 or December 31, 2015.

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 recognized in AOCI 2016	Amount of gain recognized in AOCI 2015	Location of gain (loss) reclassified from AOCI and recognized into Net earnings	Amount of gain (loss) reclassified from AOCI and recognized into Net earnings 2016	Amount of gain (loss) reclassified from AOCI and recognized into Net earnings 2015
Currency derivatives designated as hedges	$ 2.0	$ 1.5	Cost of goods sold	$ 0.7	$ (0.7)
Interest rate swaps & locks	—	—	Interest expense	(0.1)	(0.1)
Total	$ 2.0	$ 1.5		$ 0.6	$ (0.8)

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

In millions	Location of gain recognized in Net earnings	Amount of gain recognized in Net earnings 2016	Amount of gain recognized in Net earnings 2015
Currency derivatives not designated as hedges	Other income/(expense), net	$ 26.2	$ 32.3
Total		$ 26.2	$ 32.3

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

Concentration of Credit Risk

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

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 March 31, 2016:

In Millions

	Fair Value	Fair value measurements		
		Level 1	Level 2	Level 3
Assets:				
Derivative instruments	$ 25.5	$ —	$ 25.5	$ —
Liabilities:				
Derivative instruments	$ 2.2	$ —	$ 2.2	$ —

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

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, 2015:

In Millions	Fair Value	Fair value measurements Level 1	Level 2	Level 3
Assets:				
Derivative instruments	$ 5.0	$ —	$ 5.0	$ —