Ingersoll Rand News Release

Ingersoll Rand Reports Strong First-Quarter 2018 Results

Highlights (versus prior year, unless otherwise noted):

- **Bookings growth up 14 percent; organic bookings* up 9 percent with growth in both Climate and Industrial**
- **Revenues up 13 percent, organic revenues* up 8 percent with continued strength in both Climate and Industrial**
- **Q1 continuing EPS of $0.51, up 9 percent; adjusted continuing EPS* of $0.70, up 23 percent**
- **Operating income up 13 percent; adjusted operating income* up 16 percent**
- **Expect to exceed high end of annual guidance range on enterprise revenue and earnings per share**

**This news release contains non-GAAP financial measures. Definitions of the non-GAAP financial measures can be found in the footnotes of this news release. See attached tables for additional details and reconciliations.*

Swords, Ireland, April 25, 2018 - Ingersoll-Rand plc (NYSE:IR), a world leader in creating comfortable, sustainable and efficient environments, today reported diluted earnings per share (EPS) from continuing operations of $0.51 for the first quarter of 2018. Excluding restructuring costs of ($44.4M) and debt redemption premium and related charges of ($16.6M), adjusted continuing EPS was $0.70.

First-Quarter 2018 Results

Financial Comparisons - First-Quarter Continuing Operations

$, millions except EPS	Q1 2018	Q1 2017	Y-O-Y Change	Organic Y-O-Y Change
Bookings	$3,909	$3,435	14%	9%
Net Revenues	$3,385	$3,001	13%	8%
Operating Income	$243	$215	13%	
Operating Margin	7.2%	7.2%	flat	
Adjusted Operating Income	$288	$248	16%	
Adjusted Operating Margin*	8.5%	8.3%	0.2 PPts	
Continuing EPS	$0.51	$0.47	9%	
Adjusted Continuing EPS	$0.70	$0.57	23%	
Restructuring Cost	($44.4)	($32.7)	($11.7)	

“We are off to a strong start in 2018. Through sustained execution of our business strategy and healthy end markets, we delivered double-digit bookings and revenue growth in our Climate and Industrial segments and 23 percent adjusted continuing EPS growth in the first quarter. This demonstrates our continued progress in building a more sustainable and resilient company for the long-term,” said Michael W. Lamach, chairman and chief executive officer. "At this early stage in the year, our volumes are exceeding our initial expectations and we see good pricing receptivity in the market driving margin expansion. Margin improvement is being partially dampened by persistent and rising inflation. We continue to see growth opportunities ahead as our markets and customers move toward solutions that address energy efficiency and lower greenhouse gas emissions. Overall, we are confident that we will exceed the high end of our ranges for revenue and EPS for 2018, and we plan to provide our comprehensive guidance update per our normal cadence on our second quarter earnings call.”

Highlights from the First Quarter of 2018 (all comparisons against the first quarter of 2017 unless otherwise noted)

- Bookings up 14 percent, strong organic bookings growth of 9 percent with growth across all businesses.
- Enterprise revenue up 13 percent, organic revenue up 8 percent with growth in virtually all products and geographies and particularly strong growth in services and parts.
- Enterprise reported revenue growth included approximately 4 percentage points of growth from foreign exchange and approximately 1 percentage point from acquisitions.
- Enterprise revenue mix was 66 percent equipment and 34 percent services and parts, reflecting our services focus.
- Operating margin flat; adjusted operating margin up 20 basis points driven by strong volume, positive price and productivity partially offset by material and freight inflation.
- Restructuring costs of $44.4M were consistent with the company's expectations. Costs were primarily related to a European footprint optimization to shift production to plants near customer demand.
- Q1 adjusted effective tax rate* of 20.4 percent consistent with expectations for full-year estimated adjusted effective tax rate of 21 percent to 22 percent.

First-Quarter Business Review (all comparisons against the first quarter of 2017 unless otherwise noted)

Climate Segment: delivers energy-efficient products and innovative energy services. The segment 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.

$, millions	Q1 2018	Q1 2017	Y-O-Y Change	Organic Y-O-Y Change
Bookings	$3,067	$2,673	15%	11%
Net Revenues	$2,610	$2,324	12%	8%
Operating Income	$260.4	$217.3	20%	
Operating Margin	10.0%	9.4%	0.6 PPts	
Adjusted Operating Income	$264.3	$245.3	8%	
Adjusted Operating Margin	10.1%	10.6%	(0.5) PPts	

- Bookings up 15 percent, organic bookings up 11 percent. Revenue up 12 percent, organic revenue up 8 percent.
- Broad-based revenue growth in all businesses and regions, and services.
- Climate reported revenue growth included approximately 3 percentage points of growth from foreign exchange and approximately 1 percentage point from acquisitions.

- Climate revenue mix was 68 percent equipment and 32 percent services and parts, reflecting our services focus.
- Operating margin expansion due to reduced restructuring actions primarily related to plant consolidation within the U.S. in 2017; adjusted operating margin positive impacts from price, volume and productivity were more than offset by inflationary headwinds.

Industrial Segment: delivers products and services that enhance energy efficiency, productivity and operations. The segment 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.

$, millions	Q1 2018	Q1 2017	Y-O-Y Change	Organic Y-O-Y Change
Bookings	$842	$762	10%	5%
Net Revenues	$775	$676	15%	9%
Operating Income	$59.9	$65.8	(9%)	
Operating Margin	7.7%	9.7%	(2.0) PPts	
Adjusted Operating Income	$95.6	$70.5	36%	
Adjusted Operating Margin	12.3%	10.4%	1.9 PPts	

- Bookings up 10 percent and organic bookings up 5 percent. Revenue up 15 percent with organic revenue up 9 percent.
- Strong revenue growth in all products and services.
- Industrial reported revenue growth included approximately 5 percentage points of growth from foreign exchange and approximately 1 percentage point from acquisitions.
- Industrial revenue mix was 61 percent equipment and 39 percent services and parts, reflecting our services focus.
- Operating margin down 200 bps primarily due to increased restructuring actions principally related to European footprint optimization to shift production to plants near customer demand; adjusted operating margin up 190 bps driven by strong revenue growth, positive price and productivity more than offsetting inflation headwinds.

Balance Sheet and Cash Flow

$, millions	Q1 2018	Q1 2017	Y-O-Y Change
Cash From Continuing Operating Activities Y-T-D	($45.8)	($33.3)	($12.5)
Free Cash Flow Y-T-D*	($89.8)	($63.3)	($26.5)
Working Capital/Revenue*	6.0%	5.8%	20 bps increase
Cash Balance 31 March	$1,175	$1,322	($147)
Debt Balance 31 March	$4,351	$4,072	$279

- The company repurchased $250 million or 2.8 million shares in the first quarter.
- Acquisition pipeline remains active; Trane / Mitsubishi Electric joint venture regulatory approval expected Q2 2018.
- First-quarter cash flow from continuing operating activities was ($46) million, consistent with the company's expectations and normal business seasonality.
- Working capital / revenue on track for 2018.

Guidance
- The company will provide a full update to 2018 guidance in conjunction with its second quarter 2018 earnings call per its normal cadence.

This news release includes “forward-looking statements,” which are statements that are not historical facts, including statements that relate to the mix of and demand for our products; performance of the markets in which we operate; our share repurchase program including the amount of shares to be repurchased and timing of such repurchases; our capital allocation strategy including projected acquisitions; the timing of receiving regulatory approvals for our joint venture; our projected 2018 full-year financial performance and targets including assumptions regarding our effective tax rate and other factors described in our guidance. These forward-looking statements are based on our current expectations and are subject to risks and uncertainties, which may cause actual results to differ materially from our current expectations. Such factors include, but are not limited to, global economic conditions, the outcome of any litigation, demand for our products and services, and tax law changes. Additional factors that could cause such differences can be found in our Form 10-K for the year ended December 31, 2017, as well as our subsequent reports on Form 10-Q and other SEC filings. We assume no obligation to update these forward-looking statements.

This news release also includes non-GAAP financial information which should be considered supplemental to, not a substitute for, or superior to, the financial measure calculated in accordance with GAAP. The definitions of our non-GAAP financial information and reconciliation to GAAP is attached to this news release.

All amounts reported within the earnings release above related to net earnings (loss), earnings (loss) from continuing operations, earnings (loss) from discontinued operations, and per share amounts are attributed to Ingersoll Rand’s ordinary shareholders.

Ingersoll Rand (NYSE:IR) advances the quality of life by creating comfortable, sustainable and efficient environments. Our people and our family of brands - including Club Car®, Ingersoll Rand®, Thermo King® and Trane® - work together to enhance the quality and comfort of air in homes and buildings; transport and protect food and perishables; and increase industrial productivity and efficiency. We are a $14 billion global business committed to a world of sustainable progress and enduring results. For more information, visit ingersollrand.com.

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4/25/18

(See Accompanying Tables)

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*Non-GAAP measures definitions

Organic revenue is defined as GAAP net revenues adjusted for the impact of currency and acquisitions. **Organic bookings** is defined as reported orders closed/completed in the current period adjusted for the impact of currency and acquisitions.

- Currency impacts on net revenues and bookings are measured by applying the prior year's foreign currency exchange rates to the current period's net revenues and bookings reported in local currency. This measure allows for a direct comparison of operating results excluding the year-over-year impact of foreign currency translation.

Adjusted operating income is defined as GAAP operating income plus restructuring costs in 2018 and 2017. Please refer to the reconciliation of GAAP to non-GAAP measures on tables 3 and 4 of the news release.

Adjusted operating margin is defined as the ratio of adjusted operating income divided by net revenues.

Adjusted continuing EPS in 2018 is defined as GAAP continuing EPS plus restructuring costs and debt redemption premium and related charges, net of tax impacts. Adjusted continuing EPS in 2017 is defined as GAAP continuing EPS plus restructuring costs, net of tax impacts. Please refer to the reconciliation of GAAP to non-GAAP measures on tables 3 and 4 of the news release.

Free cash flow in 2018 and 2017 is defined as net cash provided by (used in) continuing operating activities, less capital expenditures, plus cash payments for restructuring. In 2018, the Company updated its definition of free cash flow to exclude the impacts of discontinued operations. As a result, free cash flow amounts in 2017 have been restated to conform with the current year definition. Please refer to the free cash flow reconciliation on table 8 of the news release.

Working capital measures a firm's operating liquidity position and its overall effectiveness in managing the enterprises' current accounts.

- **Working capital** is calculated by adding net accounts and notes receivables and inventories and subtracting total current liabilities that exclude short term debt, dividend payables and income tax payables.
- **Working capital as a percent of revenue** is calculated by dividing the working capital balance (e.g. as of March 31) by the annualized revenue for the period (e.g. reported revenues for the three months ended March 31) multiplied by 4 to annualize for a full year.

Adjusted effective tax rate for 2018 is defined as the ratio of income tax expense, plus or minus the tax effect of adjustments for restructuring costs and debt redemption premium and related charges, divided by earnings from continuing operations before income taxes plus restructuring costs and debt redemption premium and related charges. Adjusted effective tax rate for 2017 is defined as the ratio of income tax expense, plus or minus the tax effect of adjustments for restructuring costs, divided by earnings from continuing operations before income taxes plus restructuring costs. This measure allows for a direct comparison of the effective tax rate between periods.

Adjusted OI + D&A is defined as adjusted operating income plus depreciation and amortization expense.

INGERSOLL-RAND PLC

Condensed Consolidated Income Statement

(In millions, except per share amounts)

UNAUDITED

	For the quarter ended March 31, 2018	2017
Net revenues	$ 3,384.5	$ 3,000.6
Cost of goods sold	(2,420.2)	(2,126.1)
Selling and administrative expenses	(720.9)	(659.5)
Operating income	243.4	215.0
Interest expense	(72.9)	(54.0)
Other income/(expense), net	(4.0)	(4.7)
Earnings before income taxes	166.5	156.3
Provision for income taxes	(33.0)	(28.7)
Earnings from continuing operations	133.5	127.6
Discontinued operations, net of tax	(9.4)	(6.5)
Net earnings	124.1	121.1
Less: Net earnings attributable to noncontrolling interests	(3.7)	(4.0)
Net earnings attributable to Ingersoll-Rand plc	$ 120.4	$ 117.1
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:		
Continuing operations	$ 129.8	$ 123.6
Discontinued operations	(9.4)	(6.5)
Net earnings	$ 120.4	$ 117.1
Diluted earnings per share attributable to Ingersoll-Rand plc ordinary shareholders:		
Continuing operations	$ 0.51	$ 0.47
Discontinued operations	(0.03)	(0.02)
	$ 0.48	$ 0.45
Weighted-average number of common shares outstanding:		
Diluted	253.0	262.6

SEE ATTACHED RELEASE FOR ADDITIONAL INFORMATION

INGERSOLL-RAND PLC

Business Review

(In millions, except percentages)

UNAUDITED

	For the quarter ended March 31, 2018	2017
Climate		
Net revenues	$ 2,609.8	$ 2,324.1
Segment operating income *	260.4	217.3
and as a % of Net revenues	10.0%	9.4%
Industrial		
Net revenues	774.7	676.5
Segment operating income *	59.9	65.8
and as a % of Net revenues	7.7%	9.7%
Unallocated corporate expense	(76.9)	(68.1)
Total		
Net revenues	$ 3,384.5	$ 3,000.6
Consolidated operating income	$ 243.4	$ 215.0
and as a % of Net revenues	7.2%	7.2%

* Segment operating income is the measure of profit and loss that the Company 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.

INGERSOLL-RAND PLC

Reconciliation of GAAP to non-GAAP

(In millions, except per share amounts)

UNAUDITED

	For the quarter ended March 31, 2018		
	As Reported	Adjustments	As Adjusted
Net revenues	$ 3,384.5	$ —	$ 3,384.5
Operating income	243.4	44.4 (a)	287.8
Operating margin	7.2%		8.5%
Earnings from continuing operations before income taxes	166.5	61.0 (a,b)	227.5
Provision for income taxes	(33.0)	(13.4) (c)	(46.4)
Tax rate	19.8%		20.4%
Earnings from continuing operations attributable to Ingersoll-Rand plc	$ 129.8	$ 47.6 (d)	$ 177.4
Diluted earnings per common share			
Continuing operations	$ 0.51	$ 0.19	$ 0.70
Weighted-average number of common shares outstanding			
Diluted	253.0	—	253.0

	Detail of Adjustments:	
(a)	Restructuring costs	$ 44.4
(b)	Debt redemption premium and related charges	16.6
(c)	Tax impact of adjustments (a,b)	(13.4)
(d)	Impact of adjustments on earnings from continuing operations attributable to Ingersoll-Rand plc	$ 47.6

The Company reports its financial results in accordance with generally accepted accounting principles in the United States (GAAP). This supplemental schedule provides non-GAAP financial information and a quantitative reconciliation of the difference between the non-GAAP financial measures and the financial measures calculated and reported in accordance with GAAP.

The non-GAAP financial measures should be considered supplemental to, not a substitute for or superior to, financial measures calculated in accordance with GAAP. They have limitations in that they do not reflect all of the costs associated with the operations of our businesses as determined in accordance with GAAP. In addition, these measures may not be comparable to non-GAAP financial measures reported by other companies.

We believe the non-GAAP financial information provides important supplemental information to both management and investors regarding financial and business trends used in assessing our financial condition and results of operations.

The non-GAAP financial measures associated with operating income and margin, tax rate and EPS assist investors with analyzing our business segment results as well as with predicting future performance. In addition, these non-GAAP financial measures are also reviewed by management in order to evaluate the financial performance of each segment. They are the basis for performance reviews, compensation and resource allocation. We believe that the presentation of these non-GAAP financial measures will permit investors to assess the performance of the Company on the same basis as management.

As a result, one should not consider these measures in isolation or as a substitute for our results reported under GAAP. We compensate for these limitations by analyzing results on a GAAP basis as well as a non-GAAP basis, prominently disclosing GAAP results and providing reconciliations from GAAP results to non-GAAP results.

INGERSOLL-RAND PLC
Reconciliation of GAAP to non-GAAP
(In millions, except per share amounts)
UNAUDITED

	For the quarter ended March 31, 2017			
	As Reported	Adjustments		As Adjusted
Net revenues	$ 3,000.6	$ —		$ 3,000.6
Operating income	215.0	32.7	(a)	247.7
Operating margin	7.2%			8.3%
Earnings from continuing operations before income taxes	156.3	32.7	(a)	189.0
Provision for income taxes	(28.7)	(7.9)	(b)	(36.6)
Tax rate	18.4%			19.4%
Earnings from continuing operations attributable to Ingersoll-Rand plc	$ 123.6	$ 24.8	(c)	$ 148.4
Diluted earnings per common share				
Continuing operations	$ 0.47	$ 0.10		$ 0.57
Weighted-average number of common shares outstanding				
Diluted	262.6	—		262.6

Detail of Adjustments:

(a)	Restructuring costs	$ 32.7
(b)	Tax impact of adjustment (a)	(7.9)
(c)	Impact of adjustments on earnings from continuing operations attributable to Ingersoll-Rand plc	$ 24.8

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As a result, one should not consider these measures in isolation or as a substitute for our results reported under GAAP. We compensate for these limitations by analyzing results on a GAAP basis as well as a non-GAAP basis, prominently disclosing GAAP results and providing reconciliations from GAAP results to non-GAAP results.

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INGERSOLL-RAND PLC

Reconciliation of GAAP to non-GAAP

(In millions)

UNAUDITED

	For the quarter ended March 31, 2018		For the quarter ended March 31, 2017	
	As Reported	Margin	As Reported	Margin
Climate				
Net revenues	$ 2,609.8		$ 2,324.1	
Segment operating income	$ 260.4	10.0%	$ 217.3	9.4%
Restructuring	3.9	0.1%	28.0	1.2%
Adjusted operating income	264.3	10.1%	245.3	10.6%
Depreciation and amortization	64.3	2.5%	60.8	2.6%
Adjusted OI plus D&A *	$ 328.6	12.6%	$ 306.1	13.2%
Industrial				
Net revenues	$ 774.7		$ 676.5	
Segment operating income	$ 59.9	7.7%	$ 65.8	9.7%
Restructuring	35.7	4.6%	4.7	0.7%
Adjusted operating income	95.6	12.3%	70.5	10.4%
Depreciation and amortization	21.0	2.7%	19.2	2.8%
Adjusted OI plus D&A	$ 116.6	15.0%	$ 89.7	13.2%
Corporate				
Unallocated corporate expense	$ (76.9)		$ (68.1)	
Restructuring	4.8		—	
Adjusted corporate expense	(72.1)		(68.1)	
Depreciation and amortization	8.1		6.7	
Adjusted corporate expense plus D&A	$ (64.0)		$ (61.4)	
Total Company				
Net revenues	$ 3,384.5		$ 3,000.6	
Operating income	$ 243.4	7.2%	$ 215.0	7.2%
Restructuring	44.4	1.3%	32.7	1.1%
Adjusted operating income	287.8	8.5%	247.7	8.3%
Depreciation and amortization	93.4	2.8%	86.7	2.8%
Adjusted OI plus D&A	$ 381.2	11.3%	$ 334.4	11.1%

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The non-GAAP financial measures should be considered supplemental to, not a substitute for or superior to, financial measures calculated in accordance with GAAP. They have limitations in that they do not reflect all of the costs associated with the operations of our businesses as determined in accordance with GAAP. In addition, these measures may not be comparable to non-GAAP financial measures reported by other companies.

We believe the non-GAAP financial information provides important supplemental information to both management and investors regarding financial and business trends used in assessing our financial condition and results of operations.

The non-GAAP financial measures of adjusted operating income, plus depreciation and amortization, adjusted corporate expense, plus depreciation and amortization, and related margins assist investors with analyzing our business segment results as well as with predicting future performance. In addition, these non-GAAP financial measures are also reviewed by management in order to evaluate the financial performance of each segment. They are the basis for performance reviews, compensation and resource allocation. We believe that the presentation of these non-GAAP financial measures will permit investors to assess the performance of the Company on the same basis as management.

As a result, one should not consider these measures in isolation or as a substitute for our results reported under GAAP. We compensate for these limitations by analyzing results on a GAAP basis as well as a non-GAAP basis, prominently disclosing GAAP results and providing reconciliations from GAAP results to non-GAAP results.

INGERSOLL-RAND PLC
Condensed Consolidated Balance Sheets
(In millions)

	March 31, 2018	December 31, 2017
	UNAUDITED	
ASSETS		
Cash and cash equivalents	$ 1,175.1	$ 1,549.4
Accounts and notes receivable, net	2,516.0	2,477.4
Inventories, net	1,778.8	1,555.4
Other current assets	601.6	536.9
Total current assets	6,071.5	6,119.1
Property, plant and equipment, net	1,611.3	1,551.3
Goodwill	6,118.9	5,935.7
Intangible assets, net	3,756.3	3,742.9
Other noncurrent assets	807.1	824.3
Total assets	$ 18,365.1	$ 18,173.3
LIABILITIES AND EQUITY		
Accounts payable	$ 1,666.1	$ 1,556.1
Accrued expenses and other current liabilities	2,049.4	2,164.9
Short-term borrowings and current maturities of long-term debt	605.2	1,107.0
Total current liabilities	4,320.7	4,828.0
Long-term debt	3,745.5	2,957.0
Other noncurrent liabilities	3,158.5	3,181.4
Shareholders' equity	7,140.4	7,206.9
Total liabilities and equity	$ 18,365.1	$ 18,173.3

INGERSOLL-RAND PLC

Condensed Consolidated Statement of Cash Flows

(In millions)

UNAUDITED

	For three months ended March 31, 2018	For three months ended March 31, 2017
Operating Activities		
Earnings from continuing operations	$ 133.5	$ 127.6
Depreciation and amortization	93.4	86.7
Changes in assets and liabilities and other non-cash items	(272.7)	(247.6)
Net cash provided by (used in) continuing operating activities	(45.8)	(33.3)
Net cash provided by (used in) discontinued operating activities	(20.4)	(10.1)
Net cash provided by (used in) operating activities	(66.2)	(43.4)
Investing Activities		
Capital expenditures	(52.8)	(35.2)
Acquisition of businesses and other, net	(204.9)	(9.4)
Net cash provided by (used in) investing activities	(257.7)	(44.6)
Financing Activities		
Short-term borrowings	247.9	—
Proceeds from long-term borrowings, net	31.6	—
Dividends paid to ordinary shareholders	(111.6)	(102.7)
Repurchase of ordinary shares	(250.0)	(250.1)
Other financing activities, net	(14.3)	11.3
Net cash provided by (used in) financing activities	(96.4)	(341.5)
Effect of exchange rate changes on cash and cash equivalents	46.0	37.3
Net increase (decrease) in cash and cash equivalents	(374.3)	(392.2)
Cash and cash equivalents - beginning of period	1,549.4	1,714.7
Cash and cash equivalents - end of period	$ 1,175.1	$ 1,322.5

INGERSOLL-RAND PLC
Balance Sheet Metrics and Free Cash Flow
($ in millions)
UNAUDITED

	March 31, 2018	March 31, 2017	December 31, 2017
Net Receivables	$ 2,516	$ 2,199	$ 2,477
Days Sales Outstanding	67.8	66.9	62.5
Net Inventory	$ 1,779	$ 1,600	$ 1,555
Inventory Turns	5.4	5.3	6.5
Accounts Payable	$ 1,666	$ 1,379	$ 1,556
Days Payable Outstanding	62.8	59.2	55.8

	Quarter ended March 31, 2018	Quarter ended March 31, 2017
Cash flow provided by (used in) continuing operating activities	$ (45.8)	$ (33.3)
Capital expenditures	(52.8)	(35.2)
Cash payments for restructuring	8.8	5.2
Free cash flow *	$ (89.8)	$ (63.3)

The Company reports its financial results in accordance with generally accepted accounting principles in the United States (GAAP). This supplemental schedule provides non-GAAP financial information and a quantitative reconciliation of the difference between the non-GAAP financial measure and the financial measure calculated and reported in accordance with GAAP.

The non-GAAP financial measure should be considered supplemental to, not a substitute for or superior to, the financial measure calculated in accordance with GAAP. It has limitations in that it does not reflect all of the costs associated with the operations of our businesses as determined in accordance with GAAP. In addition, this measure may not be comparable to non-GAAP financial measures reported by other companies.

We believe the non-GAAP financial information provides important supplemental information to both management and investors regarding financial and business trends used in assessing our financial condition and cash flow.

The non-GAAP financial measure of free cash flow assists investors with analyzing our business results as well as with predicting future performance. In addition, this non-GAAP financial measure is reviewed by management in order to evaluate the financial performance of each segment as well as the Company as a whole. It is the basis for performance reviews, compensation and resource allocation. We believe that the presentation of this non-GAAP financial measure will permit investors to assess the performance of the Company on the same basis as management.

As a result, one should not consider this measure in isolation or as a substitute for our results reported under GAAP. We compensate for these limitations by analyzing results on a GAAP basis as well as a non-GAAP basis, prominently disclosing GAAP results and providing reconciliations from GAAP results to non-GAAP results.