



2018 Irish Statutory Accounts

NVENT ELECTRIC PUBLIC LIMITED COMPANY

Directors' Report and Consolidated and Combined Financial Statements

For the Year Ended December 31, 2018

Company Registration Number: 605257

Table of Contents

	<u>Page</u>
<u>Directors' Report</u>	<u>1</u>
<u>Statement of Directors' Responsibilities</u>	<u>27</u>
<u>Independent Auditor's Report to the Members of nVent Electric plc</u>	<u>28</u>
<u>Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit</u>	<u>34</u>
<u>Consolidated and Combined Balance Sheets</u>	<u>35</u>
<u>Consolidated and Combined Statements of Cash Flows</u>	<u>36</u>
<u>Consolidated and Combined Reconciliation of Movement in Shareholders' Funds</u>	<u>37</u>
<u>Notes to Consolidated and Combined Financial Statements</u>	<u>38</u>
<u>Company Balance Sheet</u>	<u>74</u>
<u>Company Statement of Cash Flow</u>	<u>75</u>
<u>Company Statement of Changes in Equity</u>	<u>76</u>
<u>Notes to Company Financial Statements</u>	<u>77</u>

DIRECTORS' REPORT

For the Year Ended December 31, 2018

The directors present their report, audited consolidated and combined financial statements for the year ended December 31, 2018, which are set out on pages 1 to 72, and audited parent company financial statements for the year ended December 31, 2018, which are set out on pages 73 to 80.

nVent Electric plc, is a public limited company, incorporated in the Republic of Ireland under the Companies Act 2014 on May 30, 2017.

The directors have elected to prepare the consolidated and combined financial statements of nVent Electric plc in accordance with Section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

The directors have elected to prepare the nVent Electric plc parent company financial statements in accordance with generally accepted accounting practice in Ireland ("Irish GAAP"), comprising the Financial Reporting Standards 102 ("FRS 102"), the Financial Reporting Standard in the UK and Republic of Ireland ("relevant financial reporting framework"), together with the Companies Act 2014.

History and development

On April 30, 2018, Pentair plc ("Pentair" or "Parent") completed the separation of its Water business and its Electrical business into two independent, publicly-traded companies (the "separation"). To effect the separation, Pentair distributed to its shareholders one ordinary share of nVent for every ordinary share of Pentair held as of the record date of April 17, 2018. As a result of the distribution, nVent is now an independent publicly-traded company and began "regular way" trading under the symbol "NVT" on the New York Stock Exchange on May 1, 2018.

Although our jurisdiction of organization is Ireland, we manage our affairs so that we are centrally managed and controlled in the United Kingdom (the "U.K.") and therefore have our tax residency in the U.K.

Our roots within Pentair trace back to the acquisition of Federal-Hoffman Corporation in 1988, which included the Hoffman enclosures brand. From that starting point we have grown both organically and via acquisition. Our Enclosures business first applied lean principles within the organization in the 1990s, leveraging its culture of customer service and operational excellence. In 2012, Pentair merged with Tyco International Ltd.'s Flow Control division, which included our Thermal Management business and the Raychem brand, a global leader in heat tracing solutions. In 2015, Pentair acquired ERICO Global Company, a leading global manufacturer of superior engineered electrical and fastening products, which operates as our Electrical & Fastening Solutions business, broadening our product offering and enabling us to provide additional global solutions to our combined customers.

Except where indicated, references below to transactions completed by nVent prior to April 30, 2018 refer to transactions completed by or on behalf of the Electrical reporting segment of Pentair that are reflected on the consolidated and combined financial statements of nVent.

Our registered address is 10 Earlsfort Terrace, Dublin, D02 T380, Ireland. Our executive office is located at The Mille, 1000 Great West Road, 8th Floor (East), London, TW8 9DW, United Kingdom. Our management office in the United States ("U.S.") is located at 1665 Utica Ave, Suite 700, Minneapolis, Minnesota.

Basis of presentation

The accompanying financial statements reflect the consolidated and combined operations of the parent company (nVent Electric plc, or the "Company") and its subsidiaries (nVent Electric plc and all its subsidiaries, hereinafter referred to as "nVent," "we," "us," "our," or the "Group").

Notwithstanding that the separation took legal effect April 30, 2018, US GAAP permits the consolidated and combined financial statements to be prepared as if the separation had taken effect on 1 January 2018. Accordingly information regarding key performance indicators and other group financial information has been presented below consistently with the combined and consolidated financial statements.

We report our results on a calendar year basis.

Principal activities

nVent Electric plc is a leading global provider of electrical connection and protection solutions. We believe our inventive electrical solutions enable safer systems and ensure a more secure world. We design, manufacture, market, install, and service high performance products and solutions that connect and protect some of the world's most sensitive equipment, buildings, and critical processes. We offer a comprehensive range of enclosures, electrical connections and fastening, and thermal management solutions across industry-leading brands that are recognized globally for quality, reliability, and innovation.

nVent strategy

We aim to continue our journey as “One nVent” organization, with unified focus on commercial excellence, digital transformation, scaled and integrated technology, including Internet of Things (“IoT”), and global presence and capabilities. As we scale our capabilities under our umbrella brand of nVent, we expect to expand our products and solutions and continue to differentiate our company by creating solutions that solve problems for our customers.

Our strategy and culture is grounded in the values and purpose of lean, growth and talent management processes, designed to improve business performance, evaluate growth opportunities, and develop and retain employees. Through consistent application of these processes, we have been able to foster a culture of innovation, retain focus on the customer, and profitably grow our business. We will continue to use and improve these processes to drive sustained and profitable growth.

Our strategy is to drive sustainable, profitable growth and return on invested capital improvements through:

- achieving differentiated revenue growth through new products and solutions and market expansion in key developing regions;
- driving operating excellence through lean enterprise initiatives, with specific focus on sourcing and supply management, cash flow management and lean operations;
- optimizing our technological capabilities to increasingly generate innovative new and connected products and enhance the customer experience; and
- focusing on developing global talent in light of our global presence.

Business and products

We operate across three segments: Enclosures, Thermal Management, and Electrical & Fastening Solutions. The following is a brief description of each of the Company's reportable segments and business activities.

Enclosures

Our Enclosures business provides innovative solutions to connect and protect critical electronics, communication, control, and power equipment. We are a leader in the enclosures sector, and our key brands, Hoffman and SCHROFF, have a long history of solving customers' problems by providing high quality solutions.

Hoffman provides enclosure solutions for challenging operating environments and is one of the largest brands of enclosures in North America and a leader globally. The offerings connect and protect critical control and power equipment through a comprehensive range of solutions used by panel builders, original equipment manufacturers and directly by other end-users, including customized products for hazardous environments. The HOFFMAN brand is over 70 years old and is recognized for delivering superior building, testing, certification and overall product quality. Hoffman's product customization and global footprint, along with reputation, have helped it garner long-standing relationships with many of the world's largest industrial companies.

Schroff provides highly-customized and technologically-advanced enclosures and is one of our largest brands of enclosures in Europe. These products connect and protect mission-critical electronics and communications equipment by providing a wide range of innovative standard products and customized solutions. Schroff's innovation is demonstrated by its constant flow of new product designs, including a focus on smart products capable of providing connectivity and remote management. The SCHROFF brand is a leader in ease of doing business due to its product flexibility and customer-first focus—approximately one-half of all Schroff products are customized.

Thermal Management

Our Thermal Management business provides electric thermal solutions that connect and protect critical buildings, infrastructure, industrial processes, and people. Its highly reliable and easy-to-install solutions lower total cost of ownership to building owners, facility managers, operators, and end users. Thermal Management's products have been installed in some of the world's most iconic buildings.

For Industrial and Energy, we provide industrial heat-tracing and wiring, control and monitoring, sensing, engineering, and construction services under industry leading RAYCHEM and TRACER brands, primarily serving the energy and power industries. Products and solutions include heat tracing for freeze protection and process temperature maintenance, temperature control and monitoring systems, heat-traced tubing bundles, instrument winterization, and tank heating systems. For Commercial and Infrastructure, we provide products and services primarily under our RAYCHEM brand. Applications include pipe freeze protection, roof and gutter de-icing, surface snow melting, hot water temperature maintenance, floor heating, and freeze and frost prevention for hospitals, sports venues, hotels, commercial offices, and education facilities.

Electrical & Fastening Solutions

Our Electrical & Fastening Solutions business provides fastening solutions that connect and protect electrical and mechanical systems and civil structures.

We are a global leader in fastening solutions with spring steel and specialty metal fixings and reinforced steel connections, and our products are primarily marketed under the CADDY brand. Our products reduce total installed cost, provide design flexibility and increase structural integrity in electrical and mechanical fastening applications through inventive products and solutions and customer intimacy. These products are targeted towards Commercial and Industrial verticals with applications in fire & seismic, data & telecommunications, electrical fastening, and heating, ventilation & air conditioning. These products are primarily used by electricians, telecommunications installers, and roof top contractors.

We are also a global leader in bonding, grounding, lightning protection, and low voltage power distribution products and solutions. These products are primarily marketed under the ERICO brand. We offer a comprehensive range of facility electrical connection and protection solutions to protect against electrical transients to improve safety and reliability of electrical systems. Our products reduce total cost of ownership and provide design flexibility by offering maintenance free and reliable products and global end-user application expertise and intimacy. These products and solutions are primarily used by electricians, panel builders, energy contractors, and lightning protection installers.

Key performance indicators

Management evaluates performance based on turnover growth and segment income and utilizes free cash flow to assess the Group's cash flow performance. The segment income and free cash flow measures discussed below are considered "non-U.S. GAAP" financial measures and should be considered supplemental to and not a substitute for financial information prepared in accordance with U.S. GAAP.

Turnover increased by \$115.7 million, or 5.5%, from \$2,097.9 million in 2017 to \$2,213.6 million in 2018. Segment income increased by \$1.4 million, or 0.3%, from \$423.0 million in 2017 to \$424.4 million in 2018. Segment income represents operating profit exclusive of intangible amortization, separation costs, net interest expense, costs of restructuring activities, "mark-to-market" gain/loss for pension and other post-retirement plans, impairments and other unusual non-operating items. Management utilizes this adjusted financial measure to assess the run-rate of its operations against those of prior periods without the distortion of certain unusual, non-recurring or non-operational items.

The below table presents a reconciliation of profit before taxation to segment income:

<i>In millions</i>	Years ended December 31	
	2018	2017
Profit before taxation	\$ 268.7	\$ 313.3
Adjustments:		
Restructuring and other	7.7	13.0
Pension and other post-retirement mark-to-market loss (gain)	7.0	(3.0)
Trade name impairment	—	16.4
Separation costs	45.0	16.1
Intangible asset amortization	60.9	61.4
Interest expense, net	31.2	0.2
Other Expense	3.9	5.6
Segment income	\$ 424.4	\$ 423.0

Free cash flow decreased by \$75.7 million, or 19.8%, from \$382.1 million in 2017 to \$306.4 million in 2018. The Group believes free cash flow is an important measure of liquidity because it provides the Group and its investors a measurement of cash generated that is available to pay dividends and repay debt. In addition, free cash flow is used as criterion to measure and pay compensation-based incentives. Free cash flow represents cash flows from operating activities less capital expenditures and proceeds from the sale of tangible assets. The Group's measure of free cash flow may not be comparable to similarly titled measures reported by other companies.

The following table is a reconciliation of free cash flow:

<i>In millions</i>	Years ended December 31	
	2018	2017
Net cash provided by (used for) operating activities	\$ 343.5	\$ 409.7
Capital expenditures	(39.5)	(31.8)
Proceeds from sale of property and equipment	2.4	4.2
Free cash flow	\$ 306.4	\$ 382.1

The Group believes that these non-GAAP financial measures will be useful to investors in order to assess the strength of the Group's underlying operations.

Non-Financial Information

This Non-Financial Information was prepared in accordance with requirements arising under the European Union (Disclosure of Non-Financial and Diversity Information by Certain Large Undertakings and Groups) Regulations 2017 (as amended). We use the Global Reporting Initiative (GRI) reporting framework as a reference and guide to reporting.

A description of the Company's business model and key financial performance indicators relevant to the business may be found on pages 1 to 4 of this Directors' Report. In addition, a description of principal risks facing the Company and their impact on our business may be found in the *Principal risks and uncertainties* section on pages 10 to 22 of this Directors' Report.

Given that nVent became a new independent publicly-traded company in 2018, various aspects of our Corporate Responsibility program are in the process of being developed, including our primary objectives and our plans for pursuing and implementing them.

This Non-Financial Information includes reference to policies such as our Code of Business Conduct and Ethics ("Code of Conduct"), Suppliers Code of Conduct, Environmental, Health and Safety and Conflict Minerals policies. Certain of these and other policies pertaining to our business are available on our Company website (www.nVent.com).

Our Approach to Corporate Responsibility

At nVent, we believe that safer systems ensure a more secure world. With this at the center of our mission, we embrace the opportunity and the responsibility in our role as an inventive, progressive corporate citizen. Our Executive Leadership team has responsibility for our Corporate Responsibility strategy and framework, with oversight from the Governance Committee of our Board. As a global company committed to connecting and protecting our customers, we aim to reduce environmental, social and governance risks where they are identified.

We apply the same sustainability-focused innovation from our products to our own operations, continuously pursuing improvement in our water use, energy use, waste production, and emissions. We manage our global operations with care for health, safety, and well-being of our employees, customers, communities and the environment.

Our commitment to absolute integrity guides how we conduct business every day. We cultivate a positive culture, embrace diversity, and foster innovation and curiosity through employee learning and development.

Environmental Matters

Extreme weather, flooding, and harsh conditions threaten the security of essential infrastructure management systems. From enclosures that protect sensitive equipment to fire protection and leak detection technologies, our products maintain and protect customers' critical processes and equipment, helping to keep people, communities, and the environment safe.

As a global company and manufacturer of goods, we are subject to environmental laws and regulations and exposed to risks related to climate change. Our sustainability programs focus on continuous improvement of our operations and products in ways that protect our natural resources and add value to our customers and communities. This includes:

- Managing our water use
- Driving energy efficiency and investing in renewables
- Waste reduction and materials management

Managing our Water Use

We address the threat of water scarcity by monitoring and managing our operational impacts. Water consumption is closely measured and managed across our facilities by extracting data from utility bills monthly and tracking overall consumption through Environmental, Health and Safety (“EHS”) scorecards. Each nVent site operations team is tasked with identifying, developing, and implementing water conservation measures, with assistance from the corporate EHS department.

Driving Energy Efficiency

We use smart conservation measures to drive reduction in our energy use. Our facilities gather energy use data from utility invoices and track performance on EHS scorecards monthly. With support from our corporate EHS department, each site operations team is responsible for identifying, developing, and implementing energy use reduction programs. We regularly communicate with site employees to improve awareness of, and support for, energy-saving initiatives and related process changes.

Waste Reduction and Materials Use Performance

Our materials management process helps us reduce and eliminate waste and maximize the use of natural resources. All of our manufacturing sites identify and track operational waste, and develop plans to reduce waste. Each site reports its results monthly and tracks progress via EHS scorecards. In 2018, we diverted from landfill more than 90% of industrial waste generated at all our manufacturing locations. In addition, we have policies, processes and assessment tools in place to ensure and maintain the safe handling and disposal of materials of concern, and conduct compliance and risk assessments as needed. Labeling, storage, handling, and transportation of hazardous goods is guided by legal requirements based on country, state, and municipal regulations.

Key Actions and Achievements

We use what we call “Environmental Treasure Hunt” activities at our facilities around the world to solicit and implement local improvement ideas. Employee-led teams work to identify operational efficiencies and cost savings, and are provided organizational support and funding to execute their ideas.

Social and Employee Matters

At nVent, we know we must make socially responsible decisions and do what’s right for our global communities. In addition to our commitment to diversity, fair treatment and equal opportunity, we strive to be good corporate citizens. nVent expects this same commitment from our business partners and suppliers. Some principles we follow to demonstrate good corporate citizenship include:

- Providing clean and safe working conditions.
- Providing fair wages and benefits according to local laws and practices.
- Not tolerating human rights abuses including, but not limited to, child labor.

Making a Difference Around the World

With more than 80 facilities around the globe, we have the opportunity to impact our neighborhoods, our communities and our world. We are proud to use our expertise and our passion to find inventive solutions that improve people’s lives through philanthropy and volunteerism.

We are in the process of establishing the nVent Foundation, which will build on the legacy of decades of community support previously established as part of Pentair. We are proud to continue many partnerships and initiatives, including:

- *Rise* - a Minnesota-based nonprofit supporting people who have disabilities and other barriers to employment and housing. nVent has partnered with Rise for more than four decades to employ workers in Anoka, Minnesota.
- *MS150* - over the past nine years, nVent employees have participated in this multi-city bicycle ride to raise funds for the National Multiple Sclerosis Society. In 2018, nVent employees participated in the ride across five different locations.
- *Heart & Stroke Foundation of Canada* - nVent team members from our Thermal Management facility in Edmonton, Alberta, Canada, participated in the Big Bike Challenge to raise funds for the Heart & Stroke Foundation.
- Many employee-driven events across our locations that provide school supplies for kids in need, and support local food banks with funding and meals for people in need during the holidays.

Employee Engagement and Code of Conduct

Engaging our employees and developing their careers is important to nVent's success and integral to our culture and values. We offer a wide range of training and development programs to strengthen the capability of our employees and reinforce the values that guide how we conduct business around the world.

Our Code of Conduct training is completed by approximately 4,400 professional employees each year. The courses are offered in 12 different languages to employees in 34 countries. Topics in 2018 included nVent's Code of Business Conduct & Ethics, Privacy and Data Protection, Respect in the Workplace, Anti-Bribery & Corruption, and Complying with US Export Controls. In 2018, we completed the training with 100% completion rate of professional employees.

Effective employee engagement is critical to nVent's success and in 2018 we completed a global Employee Engagement Survey. All employees were invited to participate in the survey and provide confidential feedback. All of our people managers are required to share survey results and develop action plans to address specific areas of improvement. We also communicate and solicit feedback on our programs, employee practices and policies through:

- Town Hall Meetings where nVent leaders share strategies and perspectives.
- Annual Global Leadership Meeting attended by approximately 100 of the company's top leaders to drive growth and productivity initiatives and share best practices.

Diversity and Inclusion

Our business benefits from the unique contributions of individuals with varying backgrounds and experiences, and our inclusive workplace culture empowers employees to contribute their best each and every day. nVent's Code of Conduct spells out our commitment to equal opportunity and fair treatment for all. The company does not tolerate acts of harassment, including any conduct or statements made on the basis of protected status that are intimidating, hostile, or abusive.

We take an integrated approach to supporting and promoting workplace diversity, based on the following three pillars:

- *Talent Acquisition and Deployment:* We aim to grow our diverse talent pipeline and pursue this goal proactively in our hiring practices at every level.
- *Talent Development and Retention:* We aim to develop and retain diverse talent for leadership roles, which includes expanding diverse participation in our leadership development program.
- *Leadership of Diverse Teams:* We aim to cultivate an environment that values differences, fairness, and inclusion.

Compensation and Benefits

nVent employees across the world are eligible for comprehensive benefit programs that reflect the market practices in their country of employment. To ensure competitive wages and salaries, nVent participates in and reviews remuneration surveys from leading, independent consultants for all of our countries. Pay reviews are conducted each year to ensure externally competitive and internally equitable wages.

Training and Development

We encourage all employees to engage with their managers to regularly review their progress and learning. Managers are encouraged to support employees' development through honest, candid feedback on their performance and potential.

Our development programs cover employees at all levels and locations. Examples include:

- *Leadership Series* - Targets supervisors and managers and aims to strengthen and improve management skills and provide grounding in nVent's values and expectations for leaders.
- *One nVent Culture Sessions* - Strengthens the capabilities of all employees through engaging them in our nVent values, guiding behaviors, and supporting concepts and tools on how to effectively work together.
- *Online Learning* - More than 5,000 online learning programs on a wide range of topics, including project management, customer service, software programs, environmental health and safety, professional effectiveness, and leadership skills.

Workplace Health and Safety

We are committed to preventing workplace injuries and maintaining a positive, healthy work environment. All employees have a responsibility to put safety first, speak up when they observe unsafe practices, and always follow nVent safety practices. We also expect everyone to watch out for colleagues, and maintain a workplace free from illegal or controlled substances and weapons, or potentially dangerous devices. All nVent locations must meet or exceed all state and local EHS requirements. Globally, we have a common standard that we follow based on the guidelines of the Occupational Safety and Health Administration ("OSHA") in the United States.

nVent monitors and tracks health and safety data, including injury incident rates and EHS Lean Scores across all its sites. In addition, a corporate-led team conducts audits annually to drive improvement in our EHS Lean Score and monitor the OSHA Incident Rate across operations.

At nVent, we have achieved a strong safety track record through proactive risk management. For example, our "EHS Lean Maturity Index" tracks behaviors, processes, and other leading safety indicators.

Human Rights Matters

We are committed to conducting business with absolute integrity, which includes combatting modern slavery and human trafficking in our supply chain. As a global company, nVent is committed to complying with all applicable laws and regulations, including the UK Modern Slavery Act.

nVent's Code of Conduct requires all employees to act with the highest levels of ethics and integrity and to treat others in a fair and equitable manner with zero tolerance for human rights abuses. All employees are expected to abide by the Code of Conduct, which sets clear expectations about ethical behavior and compliance with laws. nVent conducts annual Code of Conduct training and provides multiple ways for employees to ask for help and report misconduct and illegal or unethical behavior including a Helpline available on the Company's website (www.nventethics.com). We are committed to investigating and responding to all concerns.

nVent's suppliers are expected to adhere to our Suppliers Code of Conduct, which prohibits forced labor, child labor and discrimination. It also prescribes the key principles under which suppliers are required to operate, including compliance with applicable laws regarding human trafficking and slavery. As part of our Suppliers Code of Conduct, we may audit suppliers with respect to any potential non-conformance with the policy, and may require corrective action from any supplier, or terminate the business relationship, if necessary.

Doing Business with Integrity

nVent's reputation depends on doing business honestly. We forbid bribery, believe in fair competition, and respect the laws of international trade. The standards of conduct established by nVent's Code of Conduct are obligatory for all employees worldwide. Our policies include:

- *Conflicts of Interest* - Seek Guidance, Outside Employment, Family and Personal Relationships, Financial Investments
- *Gifts and Business Entertainment* - Entertainment, Giving and Accepting Gifts, Providing Gifts and Entertainment to Government Officials

- *Doing Business with Integrity* - Anti-Bribery, Dealing with Government Officials, International Trade, Fair Competition
- *Financial Integrity* - Fraud, Financial Accounting, Recordkeeping and Reporting; Buying and Selling Stocks - Insider Trading
- *Protecting and Managing Property, Information, and Records* - Physical Assets and Communication Systems, Proprietary Information and Intellectual Property, Records Management, Data Privacy, External Communications

Anti-Bribery and Corruption

Bribery is prohibited for all nVent employees, as well as for third parties that conduct business on our behalf. Employees are required to know their third parties and business partners and not do business with those who pose unreasonable corruption risk to nVent. Third parties are screened and evaluated for corruption risk via an online application. Additional due diligence is performed on all medium and high-risk third parties identified based on risk (geography, industry, relation to government, transactional volume).

Management is a role model for demonstrating its commitment to doing business with integrity through their attitudes and actions. They are responsible for implementing training for employees. Anti-bribery and corruption training is required for all professional employees annually. In addition, nVent employees are required to keep accurate books and records. Other trainings are provided as needed, based on identified risks and audit findings, upon request.

Supply Chain and Conflict Minerals

nVent's values regarding absolute integrity, environmental stewardship, safety and social responsibility guide how we conduct business every day. We manage our global operations with care for the health, safety and prosperity of our employees, customers, communities and the environment.

The principal materials we use in manufacturing our products are mild steel, stainless steel, electronic components, plastics (resins, fiberglass, epoxies), copper and paint (powder and liquid). In addition to the purchase of raw materials, we purchase some finished goods for distribution through our sales channels.

nVent's Conflict Minerals policy requires adherence with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the related rules and regulations issued by the U.S. Securities and Exchange Commission.

Conflict Minerals are widely used in many products and throughout many industries. The metals in our products come to us through multiple sources of supply, and since we do not procure these metals directly from the mines or smelters, we rely heavily on information from our suppliers to determine the origin of the minerals. We are committed to identifying the source of the Conflict Minerals contained in our products, and we expect each of our suppliers to cooperate with the Conflict Minerals reporting process as part of doing business with nVent.

As part of the Conflict Minerals reporting process, we have developed cross-functional teams to ensure timely implementation and execution of our review process, and have tasked global business units with implementing compliance. We expect our suppliers to take all commercially reasonable measures to supply materials from "conflict-free" mines.

CONSOLIDATED AND COMBINED RESULTS OF OPERATIONS

The consolidated and combined results were as follows:

<i>In millions</i>	Years ended December 31		% / point change
	2018	2017	2018 vs 2017
Turnover	\$ 2,213.6	\$ 2,097.9	5.5%
Cost of goods sold	1,337.5	1,256.0	6.5%
Gross profit	876.1	841.9	4.1%
<i>% of turnover</i>	39.6%	40.1%	(0.5 pts)
Selling, general and administrative	519.7	483.3	7.5%
<i>% of turnover</i>	23.5%	23.0%	0.5 pts
Research and development	45.6	42.5	7.3%
<i>% of turnover</i>	2.1%	2.0%	0.1 pts
Operating profit	310.8	316.1	(1.7%)
<i>% of turnover</i>	14.0%	15.1%	(1.1 pts)
Net interest expense	31.2	0.2	N.M.
Other expense	10.9	2.6	N.M.
Profit before taxation	268.7	313.3	(14.2%)
Taxation	37.9	(48.4)	N.M.
<i>Effective tax rate</i>	14.1%	(15.4%)	N.M.

N.M. Not Meaningful

Turnover

The components of the turnover change were as follows:

	% Change
Volume	2.9%
Price	1.8
Organic growth	4.7
Currency	0.8
Total	5.5%

The 5.5 percent increase in turnover in 2018 from 2017 was primarily the result of:

- organic sales growth of approximately 2.5% from our industrial business and 2.0% from our commercial & residential business, which includes selective increases in selling prices; and
- favorable foreign currency effects.

These increases were partially offset by:

- slowdown in capital spending impacting the energy business, driving lower organic sales of approximately 1.0%.

Gross profit

The 0.5 percentage point decrease in gross profit as a percentage of turnover in 2018 from 2017 was primarily the result of:

- inflationary increases related to certain raw materials, labor and freight costs.

This decrease was partially offset by:

- organic sales growth in our industrial and commercial & residential businesses, which resulted in increased leverage on fixed expenses included in cost of goods sold; and
- higher contribution margin as a result of savings generated from our lean and supply management practices.

Selling, general and administrative ("SG&A")

The 0.5 percentage point increase in SG&A expense as a percentage of turnover in 2018 from 2017 was driven by:

- \$45.0 million of non-recurring separation related costs incurred in 2018 to prepare and establish nVent to operate as an independent stand-alone public company, primarily related to information technology, legal, advisory and other professional fees, compared to \$16.1 million in 2017;
- increased investment in sales and marketing to drive growth; and
- increased corporate expenses incurred to operate as an independent public company.

These increases were partially offset by:

- organic sales growth in our industrial and commercial & residential businesses, which resulted in increased leverage on operating expenses; and
- restructuring costs of \$7.7 million in 2018, compared to \$13.0 million in 2017.

Taxation

The 29.5 percentage point increase in the effective tax rate in 2018 from 2017 was primarily due to:

- the provisional tax benefit of \$84.8 million recognized as a result of U.S. tax reform in 2017 that is not recurring in 2018.

On December 20, 2018, the U.S. Treasury issued proposed regulations that, when finalized, would limit the availability of tax benefits we currently claim related to the deductibility of interest (the "Proposed Regulations"). It is anticipated that the Proposed Regulations will be finalized during, or prior to, June 2019. As the Proposed Regulations are not yet finalized, the ultimate outcome is not specifically known at this time. Such changes could materially adversely affect our effective tax rate and/or require us to take further action, at potentially significant expense, to seek to preserve our effective tax rate.

Principal risks and uncertainties

Investors should carefully consider all of the information in this document and the following risk factors before making an investment decision regarding our securities. Any of the following risks could materially and adversely affect our business, financial condition, results of operations, cash flows and the actual outcome of matters as to which forward-looking statements are made in this document.

Key trends and uncertainties regarding our existing business

The following trends and uncertainties affected our financial performance in 2018 and 2017, and will likely impact our results in the future:

- We have identified specific product and geographic market opportunities that we find attractive and continue to pursue, both within and outside the U.S. We are reinforcing our businesses to more effectively address these opportunities through research and development and additional sales and marketing resources. Unless we successfully penetrate these markets, our organic sales growth will likely be limited or may decline.
- We have experienced material and other cost inflation. We strive for productivity improvements and we implement increases in selling prices to help mitigate this inflation. We expect the current economic environment, including the impacts of tariffs, will result in continuing price volatility for many of our raw materials and purchased components and we are uncertain as to the timing and impact of these market changes.

- During 2018 and 2017, we continued execution of certain business restructuring initiatives aimed at reducing our fixed cost structure and realigning our business.

Risks Relating to Our Business

General global economic and business conditions affect demand for our products.

We compete in various geographic regions and product markets around the world. Among these, the most significant are global industrial markets and commercial markets. We expect to experience fluctuations in revenues and results of operations due to economic and business cycles. Important factors for our business and the businesses of our customers include the overall strength of the economy and our customers' confidence in the economy, industrial and governmental capital spending, the strength of the commercial real estate market, unemployment rates, availability of consumer and commercial financing, interest rates and energy and commodity prices. The businesses of many of our industrial customers are to varying degrees cyclical and have experienced periodic downturns. While we attempt to minimize our exposure to economic or market fluctuations by serving a balanced mix of end markets and geographic regions, any of the above factors, individually or in the aggregate, or a significant or sustained downturn in a specific end market or geographic region could reduce demand for our products and services, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We compete in attractive markets with a high level of competition, which may result in pressure on our profit margins and limit our ability to maintain or increase the market share of our products.

The markets for our products and services are geographically diverse and highly competitive. We compete against large and well-established national and global companies, as well as regional and local companies and lower-cost manufacturers. We compete based on technical expertise, reputation for quality and reliability, timeliness of delivery, previous installation history, contractual terms and price. Some of our competitors, in particular smaller companies, attempt to compete based primarily on price, localized expertise and local relationships, especially with respect to products and applications that do not require a great deal of engineering or technical expertise. In addition, during economic downturns average selling prices tend to decrease as market participants compete more aggressively on price. If we are unable to continue to differentiate our products, services and solutions, or if we are forced to cut prices or to incur additional costs to remain competitive, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Volatility in currency exchange rates could have a material adverse effect on our financial condition, results of operations and cash flows.

Sales outside of the U.S. for the year ended December 31, 2018 accounted for approximately 40% of our net sales. Our financial statements reflect translation of items denominated in non-U.S. currencies to U.S. dollars. Therefore, if the U.S. dollar strengthens in relation to the principal non-U.S. currencies from which we derive revenue as compared to a prior period, our U.S. dollar-reported revenue and income will effectively be decreased to the extent of the change in currency valuations and vice-versa. For the year ended December 31, 2018, foreign currency translations had a 0.8% positive impact on our net sales. Fluctuations in foreign currency exchange rates, most notably the strengthening of the U.S. dollar against the euro, could have a material adverse effect on our reported revenue in future periods. In addition, currency variations could have a material adverse effect on margins on sales of our products in countries outside of the U.S. and margins on sales of products that include components obtained from suppliers located outside of the U.S.

Our future growth is dependent upon our ability to adapt our products, services and organization to meet the demands of local markets in both developed and emerging economies and by developing or acquiring new technologies that achieve market acceptance with acceptable margins.

We operate in global markets that are characterized by customer demand that is often global in scope but localized in delivery. We compete with thousands of smaller regional and local companies that may be positioned to offer products produced at lower cost than ours, or to capitalize on highly localized relationships and knowledge that are difficult for us to replicate. Also, in several emerging markets potential customers prefer local suppliers, in some cases because of existing relationships and in other cases because of local legal restrictions or incentives that favor local businesses. Accordingly, our future success depends upon a number of factors, including our ability to adapt our products, services, organization, workforce and sales strategies to fit localities throughout the world, particularly in high-growth emerging markets; identify emerging technological and other trends in our target end markets; and develop or acquire competitive products and services and bring them to market quickly and cost-effectively. The failure to effectively adapt our products or services could have a material adverse effect on our business, financial condition, results of operations and cash flows.

A sustained downturn in the energy industry, due to oil and gas prices decreasing or otherwise, could decrease demand for some of our products and services.

A portion of our revenue historically has been generated by end-users in the oil and gas markets where we serve all three major categories of customers in the petroleum industry—upstream exploration/production, midstream transportation and downstream refining. The businesses of most of our customers in the energy industry are, to varying degrees, cyclical and historically have experienced periodic downturns. Profitability in the energy industry is highly sensitive to supply and demand cycles and commodity prices, which historically have been volatile, and our customers in this industry have tended to delay large capital projects, including expensive maintenance and upgrades, during industry downturns. Customer project delays and cancellations may limit our ability to realize value from our backlog as expected and cause fluctuations in the timing or the amount of revenue earned and the profitability of our business in a particular period. In addition, such delays and cancellations may lead to significant fluctuations in results of operations from quarter to quarter, making it difficult to predict our financial performance on a quarterly basis.

Demand for a portion of our products and services depends upon the level of capital expenditure by companies in the energy industry, which depends, in part, on energy prices. Prices of oil and gas are volatile and within recent years, the price of crude oil has declined significantly. We have experienced suspensions or delays in large capital projects within the energy sector, especially in the upstream exploration and production sector, and most notably in Canada. A sustained downturn in the capital expenditures of our customers, whether due to a decrease in the market price of oil and gas or otherwise, may delay projects, decrease demand for our products and services and cause downward pressure on the prices we charge, which, in turn, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not be able to identify, finance and complete suitable acquisitions and investments, and any completed acquisitions and investments could be unsuccessful or consume significant resources.

Our business strategy is expected to include acquiring businesses and making investments that complement our existing business. We expect to analyze and evaluate the acquisition of strategic businesses or product lines with the potential to strengthen our industry position or enhance our existing set of product and service offerings. We may not be able to identify suitable acquisition candidates, obtain financing or have sufficient cash necessary for acquisitions or successfully complete acquisitions in the future. Acquisitions and investments may involve significant cash expenditures, debt incurrences, equity issuances, operating losses and expenses. Acquisitions involve numerous other risks, including:

- diversion of management time and attention from daily operations;
- difficulties integrating acquired businesses, technologies and personnel into our business;
- difficulties in obtaining and verifying the financial statements and other business information of acquired businesses;
- inability to obtain required regulatory approvals;
- potential loss of key employees, key contractual relationships or key customers of acquired companies or of ours;
- assumption of the liabilities and exposure to unforeseen liabilities of acquired companies, including risks relating to the U.S. Foreign Corrupt Practices Act (the “FCPA”); and
- dilution of interests of holders of nVent ordinary shares through the issuance of equity securities or equity-linked securities.

It may be difficult for us to complete transactions quickly and to integrate acquired operations efficiently into our business operations. Any acquisitions or investments may not be successful and may ultimately result in impairment charges and have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not achieve some or all of the expected benefits of our business initiatives.

In order to align our resources with our growth strategies, operate more efficiently and control costs, we may periodically announce restructuring plans, which may include workforce reductions, global plant closures and consolidations, asset impairments and other cost reduction initiatives. We may undertake restructuring actions and workforce reductions in the future. As these plans and actions are complex, we may not be able to achieve the operating efficiencies to reduce costs or realize benefits that were anticipated in connection with these initiatives. If we are unable to execute these initiatives as planned, we may not realize all or any of the anticipated benefits, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our success depends on attracting and retaining qualified personnel.

Our ability to sustain and grow our business requires us to hire, retain and develop a highly skilled and diverse management team and workforce. Failure to ensure that we have the depth and breadth of personnel with the necessary skill set and experience, or the loss of key employees, could impede our ability to deliver our growth objectives and execute our strategy.

Our backlog may fluctuate and material amounts of cancellations or reductions of orders or a failure to deliver our backlog on time could affect our future sales.

Our backlog is comprised of the portion of firm signed purchase orders or other written contractual commitments received from customers that we have not recognized as revenue. Backlog may increase or decrease based on the addition of large multi-year projects and their subsequent completion. Backlog may also be favorably or unfavorably affected by foreign currency rate fluctuations. The dollar amount of backlog as of December 31, 2018 was \$279.7 million. The timing of our recognition of revenue out of our backlog is subject to a variety of factors that may cause delays, many of which, including fluctuations in our customers' delivery schedules, are beyond our control. Such delays may lead to significant fluctuations in results of operations from quarter to quarter, making it difficult to predict our financial performance on a quarterly basis. Further, while we have historically experienced few order cancellations and the amount of order cancellations has not been material compared to our total contract volume, if we were to experience a significant amount of cancellations of or reductions in purchase orders, it would reduce our backlog and, consequently, our future sales and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our future revenue depends in part on our ability to bid and win new contracts.

Our future revenue and overall results of operations require us to successfully bid on new contracts and, in particular, contracts for large greenfield projects, which are frequently subject to competitive bidding processes. Our revenue from major projects depends in part on the level of capital expenditures in some of our principal end markets, including the energy, chemical processing and power generation industries. In addition, if we fail to replace completed or canceled large greenfield projects with new order volume of the same magnitude, our backlog will decrease. The number of such projects we win in any year fluctuates, and is dependent upon the number of projects available and our ability to bid successfully for such projects. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process, which is affected by a number of factors, such as competitive position, market conditions, financing arrangements and required governmental approvals. If negative market conditions arise, or if we fail to secure adequate financial arrangements or required governmental approvals, we may not be able to pursue particular projects or win new contracts, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are exposed to political, regulatory, economic and other risks that arise from operating a multinational business.

Sales outside of the U.S. for the year ended December 31, 2018 accounted for approximately 40% of our net sales. Further, our business obtains some products, components and raw materials from non-U.S. suppliers. Accordingly, our business is subject to the political, regulatory, economic and other risks that are inherent in operating in numerous countries. These risks include:

- the imposition of tariffs, exchange controls or other trade restrictions;
- changes in general economic and political conditions in countries where we operate, particularly in emerging markets;
- relatively more severe economic conditions in some international markets than in the U.S.;
- the difficulty of enforcing agreements and collecting receivables through non-U.S. legal systems;
- the difficulty of communicating and monitoring standards and directives across our global facilities;
- trade protection measures and import or export licensing requirements and restrictions;
- the possibility of terrorist action affecting us or our operations;
- the threat of nationalization and expropriation;
- difficulty in staffing and managing widespread operations in non-U.S. labor markets;
- changes in tax treaties, laws or rulings that could have a material adverse impact on our effective tax rate;
- limitations on repatriation of earnings;

- the difficulty of protecting intellectual property in non-U.S. countries; and
- changes in and required compliance with a variety of non-U.S. laws and regulations.

Our success depends in part on our ability to anticipate and effectively manage these and other risks. We cannot assure you that these and other factors will not have a material adverse effect on our international operations or on our business as a whole.

Violations of the U.S. Foreign Corrupt Practices Act and similar anti-corruption laws outside the U.S. could have a material adverse effect on us.

The FCPA and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-bribery law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both the U.S. Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators and increases in criminal and civil proceedings brought against companies and individuals. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that are recognized as having governmental and commercial corruption and in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Because many of our customers and end users are involved in infrastructure construction and energy production, they are often subject to increased scrutiny by regulators. We cannot assure you that our internal control policies and procedures will always protect us from reckless or criminal acts committed by our employees or third-party intermediaries. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Violations of these laws may require self-disclosure to governmental agencies and result in criminal or civil sanctions, which could disrupt our business and result in a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

Our failure to satisfy international trade compliance regulations, and changes in U.S. government sanctions, could have a material adverse effect on us.

Our global operations require importing and exporting goods and technology across international borders on a regular basis. Certain of the products we manufacture are “dual use” products, which are products that may have both civil and military applications, or may otherwise be involved in weapons proliferation, and are often subject to more stringent export controls. From time to time, we obtain or receive information alleging improper activity in connection with imports or exports. Our policy mandates strict compliance with U.S. and non-U.S. trade laws applicable to our products. However, even when we are in strict compliance with law and our policies, we may suffer reputational damage if certain of our products are sold through various intermediaries to entities operating in sanctioned countries. When we receive information alleging improper activity, our policy is to investigate that information and respond appropriately, including, if warranted, reporting our findings to relevant government authorities. Nonetheless, our policies and procedures may not always protect us from actions that would violate U.S. and/or non-U.S. laws. Any improper actions could subject us to civil or criminal penalties, including material monetary fines, or other adverse actions including denial of import or export privileges, and could damage our reputation and business prospects.

In addition, from time to time, the U.S. government has imposed sanctions restricting U.S. companies from conducting business with specified non-U.S. individuals and companies. In particular, the U.S. government recently imposed sanctions through several executive orders and legislation restricting U.S. companies from conducting business with specified Russian and Ukrainian individuals and companies. While we believe that the executive orders currently do not preclude us from conducting business with our current customers or vendors in Russia, the sanctions imposed by the U.S. government may be expanded in the future to restrict us from engaging with them. If we are unable to conduct business with new or existing customers or vendors or pursue business opportunities in Russia or Ukraine, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

A material disruption at any of our manufacturing facilities could cause us to be unable to meet customer demands or increase our costs.

If operations at any of our manufacturing facilities were to be disrupted as a result of significant equipment failures, natural disasters, earthquakes, power outages, fires, explosions, terrorism, adverse weather conditions, labor disputes or other reasons, we may be unable to fill customer orders and otherwise meet customer demand for our products, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Interruptions in production, in particular at our manufacturing facilities, could increase our costs and reduce our sales. Any interruption in production capability could require us to make substantial capital expenditures to fill customer orders. We maintain property damage insurance that we believe to be adequate to provide for reconstruction of facilities and equipment, as well as business interruption insurance to

mitigate losses resulting from any production interruption or shutdown caused by an insured loss. However, any recovery under our insurance policies may not offset the lost sales or increased costs that may be experienced during the disruption of operations, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may experience material cost and other inflation.

In the past, we have experienced material cost and other inflation in a number of our businesses. We strive for productivity improvements and implement increases in selling prices to help mitigate cost increases in raw materials (especially metals and resins), freight, energy and other costs such as pension, health care and insurance. We continue to implement operational initiatives, including commodity price lock strategies, in order to mitigate the impacts of this inflation and continuously reduce our costs. However, these actions may not be successful in managing our costs or increasing our productivity. Continued cost inflation or failure of our initiatives to generate cost savings or improve productivity could have a material adverse effect on our business, financial condition, results of operations and cash flows.

A disruption in the availability, price or quality of products or materials that we manufacture and source from various countries throughout the world could have a material adverse effect on our results of operations.

Our business is subject to risks associated with global manufacturing and sourcing. We use a variety of raw materials in the production of our products including steel, aluminum, brass, copper, bronze, zinc, nickel and plastics. We also purchase certain electrical and electronic components from a number of suppliers. Significant shortages in the availability of these materials or price increases could increase our operating costs and adversely impact the competitive positions of our products. We rely on materials, components and finished goods that are sourced from or manufactured outside the U.S., including Mexico, China and other countries, and these countries may experience political or trade instability, which could disrupt our supply of products or materials. We rely on our suppliers to produce high quality materials, components and finished goods according to our specifications. Although we have quality control procedures in place, there is a risk that products may not meet our specifications which could impact our ability to ship quality products to our customers on a timely basis.

Our Thermal Management segment's dependence on subcontractors and third party suppliers and manufacturers with respect to projects could have a material adverse effect on us.

Our Thermal Management segment often relies on third party subcontractors as well as third party suppliers and manufacturers to complete projects. To the extent that we cannot engage subcontractors or acquire supplies or materials from third parties for these projects, our ability to complete a project in a timely fashion or at a profit may be impaired. If the amount we are required to pay for these goods and services exceeds the amount we have estimated in bidding for fixed-price contracts, we could experience losses on these contracts. In addition, if a subcontractor, supplier or manufacturer is unable to deliver its services or materials according to the negotiated contract terms for any reason, including the deterioration of its financial condition or over-commitment of its resources, we may be required to purchase the services or materials from another source at a higher price. This may reduce the profit to be realized or result in a loss on a project for which the services or materials were needed.

Intellectual property challenges may hinder our ability to develop, engineer and market our products, and we may incur significant costs in our efforts to successfully avoid, manage, defend and litigate intellectual property matters.

Patents, non-compete agreements, proprietary technologies, customer relationships, trademarks, trade names and brand names are important to our business. Intellectual property protection, however, may not preclude competitors from developing products similar to ours or from challenging our names or products. Our pending patent applications, and our pending copyright and trademark registration applications, may not be allowed or competitors may challenge the validity or scope of our patents, copyrights or trademarks. In addition, our patents, copyrights, trademarks and other intellectual property rights may not provide us a significant competitive advantage. Over the past few years, we have noticed an increasing tendency for participants in our markets to use challenges to intellectual property as a means to compete. Patent and trademark challenges increase our costs to develop, engineer and market our products. We may need to spend significant resources monitoring our intellectual property rights and we may or may not be able to detect infringement by third parties. If we fail to successfully enforce our intellectual property rights or register new patents, our competitive position could suffer, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

From time to time, we receive notices from third parties alleging intellectual property infringement. Any dispute or litigation involving intellectual property could be costly and time-consuming due to the complexity and the uncertainty of intellectual property litigation. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license, in response to a claim of infringement or misappropriation. In addition, as a result of such claims, we may lose our rights to utilize critical technology, may be required to pay substantial damages or license fees with respect to the infringed rights or may be required to redesign our products at a substantial cost, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in U.S. and foreign government administrative policy, including changes to existing trade agreements, could have a material adverse effect on us.

As a result of changes to U.S. and foreign government administrative policy, there may be changes to existing trade agreements, greater restrictions on free trade generally, significant increases in tariffs on goods imported into the U.S. particularly tariffs on products manufactured in China, Canada and Mexico, among other possible changes. Changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently manufacture and sell products, and any resulting negative sentiments towards the U.S. as a result of such changes, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We have significant goodwill and intangible assets and future impairment of our goodwill and intangible assets could have a material adverse effect on our results of operations.

We test goodwill and other indefinite-lived intangible assets for impairment on at least an annual basis, and more frequently if circumstances warrant, by comparing the estimated fair value of our reporting unit to its respective carrying values on its balance sheets. As of December 31, 2018, our goodwill and intangible assets were \$3.4 billion and represented 75% of our total assets. Changes in economic and operating conditions impacting the assumptions used in our impairment tests could result in future goodwill and intangible asset impairment charges.

Deterioration in the credit quality of our customers could have a material adverse effect on us.

We have an extensive customer base of original equipment manufacturers, contractors, telecommunications companies and retail and hardware outlets. Deterioration in the credit quality of several major customers could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Seasonality of sales and weather conditions could have a material adverse effect on our financial results.

We generally experience increased demand for Thermal Management products and services during the fall and winter months in the Northern Hemisphere and increased demand for Electrical & Fastening Solutions products during the spring and summer months in the Northern Hemisphere. Seasonality and weather conditions could have a material adverse effect on our results of operations.

We are exposed to potential environmental laws, liabilities and litigation.

We are subject to U.S. federal, state, local and non-U.S. laws and regulations governing our environmental practices, public and worker health and safety, and the indoor and outdoor environment. Compliance with these environmental, health and safety regulations could require us to satisfy environmental liabilities, increase the cost of manufacturing our products or otherwise have a material adverse effect on our business, financial condition, results of operations and cash flows. Any violations of these laws by us could cause us to incur unanticipated liabilities. We are also required to comply with various environmental laws and maintain permits, some of which are subject to renewal from time to time, for many of our businesses and we could suffer if we are unable to renew existing permits or to obtain any additional permits that we may require. Compliance with environmental requirements also could require significant operating or capital expenditures or result in significant operational restrictions. We cannot assure you that we have been or will be at all times in compliance with environmental and health and safety laws. If we violate these laws, we could be fined, criminally charged or otherwise sanctioned by regulators. In addition to clean-up actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances.

Certain environmental laws impose liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances at their properties or at properties at which they have disposed of hazardous substances. The cost of clean-up and other environmental liabilities can be difficult to accurately predict. In addition, environmental requirements change and tend to become more stringent over time. Our eventual environmental clean-up costs and liabilities could exceed the amount of our current reserves.

We are exposed to certain regulatory and financial risks related to climate change.

Climate change is receiving ever increasing attention worldwide. Many scientists, legislators and others attribute global warming to increased levels of greenhouse gases, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. The U.S. Environmental Protection Agency ("EPA") has published findings that emissions of carbon dioxide, methane, and other greenhouse gases ("GHGs") present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to the warming of the earth's atmosphere and other climate changes. Based on these findings, the EPA has implemented regulations that require reporting of GHG emissions, or that limit emissions of GHGs from certain mobile or stationary sources. In addition, the U.S. Congress and federal and state regulatory agencies have considered other legislation and regulatory proposals to reduce emissions of GHGs, and many states have already taken legal measures to reduce emissions of GHGs, primarily through the development of GHG inventories, GHG

permitting and/or regional GHG cap-and-trade programs. It is uncertain whether, when and in what form a federal mandatory carbon dioxide emissions reduction program, or other state programs, may be adopted. Similarly, certain countries have adopted the Kyoto Protocol and/or the Paris Accord, and these and other existing international initiatives or those under consideration could affect our international operations. To the extent our customers, particularly our energy and industrial customers, are subject to any of these or other similar proposed or newly enacted laws and regulations, we are exposed to risks that the additional costs by customers to comply with such laws and regulations could impact their ability or desire to continue to operate at similar levels in certain jurisdictions as historically seen or as currently anticipated, which could negatively impact their demand for our products and services. These actions could also increase costs associated with our operations, including costs for raw materials and transportation. Because it is uncertain what laws will be enacted, we cannot predict the potential impact of such laws on our future financial condition, results of operations and cash flows.

Increased information technology security threats and computer crime pose a risk to our systems, networks, products and services, and we are exposed to potential regulatory, financial and reputational risks relating to the protection of our data.

We rely upon information technology systems and networks in connection with a variety of business activities, some of which are managed by third parties. Additionally, we collect and store data that is sensitive to us and our employees, customers, dealers and suppliers. As our business increasingly interfaces with employees, customers, dealers and suppliers using information technology systems and networks, we are subject to an increased risk to the secure operation of these systems and networks and to additional laws and regulatory requirements regarding data privacy, including the European Union General Data Protection Regulation. The secure operation of these information technology systems and networks, and the processing and maintenance of this data is critical to our business operations and strategy. Information technology security threats — from user error to attacks designed to gain unauthorized access to our systems, networks and data — are increasing in frequency and sophistication. Attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced persistent threats. These threats pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of the data we process and maintain and pose a risk of theft to our assets. Establishing systems and processes to address these threats and changes in legal requirements relating to data collection and storage may increase our costs. We have experienced data breaches, and, although we have determined such data breaches to be immaterial and such data breaches have not had a material adverse effect on our financial condition, results of operations or cash flows, there can be no assurance of similar results in the future. Should future attacks succeed in the theft of assets, exporting sensitive data or financial information or controlling sensitive systems or networks, it could expose us and our employees, customers, dealers and suppliers to the theft of assets, misuse of information or systems, the compromising of confidential information, manipulation and destruction of data, defective products, production downtimes and operations disruptions, and breach of privacy, which may require notification under data privacy and other applicable laws. The occurrence of any of these events could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows. In addition, such breaches in security could result in litigation, regulatory action and potential liability and the costs and operational consequences of implementing further data protection measures.

We may be negatively impacted by litigation, including product liability claims.

Our business exposes us to potential litigation, such as product liability claims relating to the design, manufacture and sale of our products. While we currently maintain what we believe to be suitable product liability insurance, we may not be able to maintain this insurance on acceptable terms and this insurance may not provide adequate protection against potential or previously existing liabilities. In addition, we self-insure a portion of product liability claims. Successful claims against us for significant amounts could have a material adverse effect on our product reputation, business, financial condition, results of operations and cash flows.

Our share price may fluctuate significantly.

We cannot predict the prices at which nVent ordinary shares may trade. The market price of nVent ordinary shares may fluctuate widely, depending on many factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our results of operations due to factors related to our business
- success or failure of our business strategy;
- our quarterly or annual earnings, or those of other companies in our industry
- our ability to obtain third-party financing as needed
- announcements by us or our competitors of significant acquisitions or dispositions
- changes in accounting standards, policies, guidance, interpretations or principles

- changes in earnings estimates by us or securities analysts or our ability to meet those estimates;
- the operating and share price performance of other comparable companies;
- investor perception of us;
- natural or other environmental disasters that investors believe may affect us;
- overall market fluctuations;
- results from any material litigation, including asbestos claims, government investigations or environmental liabilities;
- changes in laws and regulations affecting our business; and
- general economic conditions and other external factors.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could have a material adverse effect on our share price.

Risks Relating to Being a Separate, Stand-Alone Company

Our historical financial information is not necessarily representative of the results that we would have achieved as a separate, publicly-traded company and may not be an accurate indicator of our future results of operations.

The historical information about us prior to April 30, 2018 in the Annual Report refers to our business as operated by and integrated with Pentair. Our historical financial information for such periods was derived from the consolidated financial statements and accounting records of Pentair. Accordingly, such historical financial information included in this Annual Report does not necessarily reflect the financial condition, results of operations or cash flows that we would have achieved as a separate, publicly-traded company during the periods presented or those that we will achieve in the future primarily as a result of the factors described below:

- Prior to the separation, our business was operated by Pentair as part of its broader corporate organization, rather than as an independent company. Pentair or one of its affiliates performed various corporate functions for us, such as accounting, information technology and finance. Our historical financial results reflect allocations of corporate expenses from Pentair for such functions and may not reflect the expenses we would have incurred had we operated as a separate, publicly-traded company. As a result of the separation, we are responsible for the additional costs associated with being an independent, publicly traded company, including costs related to corporate governance and external reporting.
- Generally, our working capital and capital for our general corporate purposes have historically been provided as part of the corporate-wide cash management policies of Pentair. As a stand-alone company, we may need to obtain additional financing from lenders, through public offerings or private placements of debt or equity securities, strategic relationships and the cost of capital for our business may be higher than Pentair's cost of capital prior to completion of the separation.

Other significant changes may occur in our cost structure, management, financing and business operations as a result of operating as a company separate from Pentair. For additional information about the past financial performance of our business and the basis of presentation of the historical combined financial statements of our business, see the consolidated and combined financial statements and related notes.

Pentair may fail to perform under various transaction agreements that have been executed as part of the separation or we may fail to have necessary systems and services in place when certain of the transaction agreements expire.

In connection with the separation, we and Pentair entered into a separation and distribution agreement and various other agreements, including a tax matters agreement, a transition services agreement and an employee matters agreement. Certain of these agreements provide for the performance of services by each company for the benefit of the other for a period of time after the separation. We rely on Pentair to satisfy its performance and payment obligations under these agreements. If Pentair is unable to satisfy its obligations under these agreements, including its indemnification obligations, we could incur operational difficulties or losses.

Potential indemnification liabilities to Pentair pursuant to the transaction agreements could materially adversely affect us.

The separation and distribution agreement with Pentair contains, among other things, provisions governing the relationship between us and Pentair with respect to and resulting from the separation. Among other things, the separation agreement provides for indemnification obligations designed to make us financially responsible for substantially all liabilities that may exist relating to its business activities, whether incurred prior to or after the separation. We may be subject to substantial liabilities under these indemnifications.

If the distribution fails to qualify as a tax-free transaction for U.S. federal income tax purposes, then we and our shareholders could be subject to significant tax liability or tax indemnity obligations.

Pentair received an IRS Ruling from the IRS substantially to the effect that, among other things, the distribution and certain related transactions qualify as tax-free under Section 355 and related provisions of the Code. The tax-free nature of the distribution was conditioned on the continued validity of the IRS Ruling, as well as on receipt of a tax opinion, substantially to the effect that, among other things, the distribution would qualify as a tax-free transaction under Section 355 and related provisions of the Code, and certain transactions related to the transfer of assets and liabilities to us in connection with the separation and distribution would not result in the recognition of any gain or loss to Pentair, us or our shareholders. The IRS ruling and the tax opinion relied on certain facts and assumptions, certain representations from Pentair and us regarding the past and future conduct of both businesses and other matters, and the tax opinion relies on the IRS Ruling. Notwithstanding the IRS ruling and tax opinion, the IRS could determine on audit that the distribution should be treated as a taxable transaction if it determines that any of these facts, assumptions, representations or undertakings is not correct or has been violated, or that the distribution should be taxable for other reasons, including as a result of a significant change in stock or asset ownership after the distribution, or if the IRS were to disagree with the conclusions of the tax opinion that are not covered by the IRS ruling. If the distribution is ultimately determined to be taxable, the distribution could be treated as a taxable dividend to you for U.S. federal income tax purposes, and you could incur significant U.S. federal income tax liability. In addition, Pentair and/or we could incur significant U.S. federal income tax liabilities or tax indemnification obligations, whether under applicable law or the tax matters agreement that we entered into with Pentair, if it is ultimately determined that certain related transactions undertaken in anticipation of the distribution are taxable. To the extent we incur any tax liability or indemnification obligation under applicable law or the tax matters agreement, there could be a material adverse effect on our business, financial condition, and results of operations and cash flows in future reporting periods.

We might not be able to engage in desirable strategic transactions and equity issuances following the distribution because of restrictions relating to U.S. federal income tax requirements for tax-free distributions.

Our ability to engage in significant equity transactions could be limited or restricted after the distribution in order to preserve, for U.S. federal income tax purposes, the tax-free nature of the distribution by Pentair. Even if the distribution otherwise qualifies for tax-free treatment under Section 355 of the Code, it may result in corporate-level taxable gain to Pentair and certain of its affiliates under Section 355(e) of the Code if 50 percent or more, by vote or value, of nVent ordinary shares or Pentair ordinary shares are acquired or issued as part of a plan or series of related transactions that includes the distribution. Any acquisitions or issuances of nVent ordinary shares or Pentair ordinary shares within two years after the distribution will generally be presumed to be part of such a plan, although we or Pentair may be able to rebut that presumption.

To preserve the tax-free treatment to Pentair of the distribution, under the tax matters agreement, we expect that we will be prohibited from taking or failing to take any action that prevents the distribution and related transactions from being tax-free. Further, for the two-year period following the distribution, without obtaining the consent of Pentair, a private letter ruling from the IRS or an unqualified opinion of a nationally recognized law firm or accounting firm, we may be prohibited from, among other things:

- approving or allowing any transaction that results in a change in ownership of more than a specified percentage of nVent ordinary shares when combined with any other changes in ownership of nVent ordinary shares,
- redeeming or repurchasing equity securities,
- selling or otherwise disposing of substantially all of our assets, or
- engaging in certain internal transactions.

These restrictions may limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business. Moreover, the tax matters agreement also provides that we are responsible for all or a specified portion of any taxes imposed on Pentair or any of its affiliates as a result of the failure of the distribution or the internal transactions to qualify for favorable treatment under the Code unless such failure is attributable to certain actions taken after the distribution by Pentair.

Risks Relating to Our Liquidity

Disruptions in the financial markets could adversely affect us, our customers and our suppliers by increasing funding costs or reducing availability of credit.

In the normal course of our business, we may access credit markets for general corporate purposes, which may include repayment of indebtedness, acquisitions, additions to working capital, repurchase of shares, capital expenditures and investments in our subsidiaries. Although we expect to have sufficient liquidity to meet our foreseeable needs, our access to and the cost of capital could be negatively impacted by disruptions in the credit markets, which have occurred in the past and made financing terms for borrowers unattractive or unavailable. These factors may make it more difficult or expensive for us to access credit markets if the need arises. In addition, these factors may make it more difficult for our suppliers to meet demand for their products or for prospective customers to commence new projects, as customers and suppliers may experience increased costs of debt financing or difficulties in obtaining debt financing. Disruptions in the financial markets in the past have had adverse effects on other areas of the economy and have led to a slowdown in general economic activity that may adversely affect our businesses. One or more of these factors could adversely affect our business, financial condition, results of operations or cash flows.

Covenants in our debt instruments may adversely affect us.

Our credit agreements and indentures contain customary financial covenants, including those that limit the amount of our debt, which may restrict the operations of our business and our ability to incur additional debt to finance acquisitions. Our ability to meet the financial covenants can be affected by events beyond our control, and we cannot provide assurance that we will meet those tests. A breach of any of these covenants could result in a default under our credit agreements or indentures. Upon the occurrence of an event of default under any of our credit facilities or indentures, the lenders or trustees could elect to declare all amounts outstanding thereunder to be immediately due and payable and, in the case of credit facility lenders, terminate all commitments to extend further credit. If the lenders or trustees accelerate the repayment of borrowings, we cannot provide assurance that we will have sufficient assets to repay our credit facilities and our other indebtedness. Furthermore, acceleration of any obligation under any of our material debt instruments will permit the holders of our other material debt to accelerate their obligations, which could have a material adverse effect on our financial condition.

We may increase our debt or raise additional capital or our credit ratings may be downgraded in the future, which could affect our financial condition, and may decrease our profitability.

As of December 31, 2018, we had \$0.9 billion of total debt outstanding. We may increase our debt or raise additional capital in the future, subject to restrictions in our debt agreements. If our cash flow from operations is less than we anticipate, if our cash requirements are more than we expect, or if we intend to finance acquisitions, we may require more financing. However, debt or equity financing may not be available to us on acceptable terms, if at all. If we incur additional debt or raise equity through the issuance of additional capital shares, the terms of the debt or capital shares issued may give the holders rights, preferences and privileges senior to those of holders of our ordinary shares, particularly in the event of liquidation. The terms of the debt may also impose additional and more stringent restrictions on our operations than we currently have. If we raise funds through the issuance of additional equity, the percentage ownership of existing shareholders in our company would decline. If we are unable to raise additional capital when needed, our financial condition could be adversely affected. Unfavorable changes in the ratings that rating agencies assign to our debt may ultimately negatively impact our access to the debt capital markets and increase the costs we incur to borrow funds. If ratings for our debt are downgraded, our access to the debt capital markets may become restricted. Additionally, our credit agreements generally include an increase in interest rates if the ratings for our debt are downgraded.

Our leverage could have a material adverse effect on our business, financial condition or results of operations.

Our ability to make payments on and to refinance our indebtedness, including our existing debt as well as any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are not able to repay or refinance our debt as it becomes due, we may be forced to sell assets or take other disadvantageous actions, including (i) reducing financing in the future for working capital, capital expenditures and general corporate purposes or (ii) dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness. The lenders who hold such debt could also accelerate amounts due, which could potentially trigger a default or acceleration of any of our other debt.

Risks Relating to Our Jurisdiction of Incorporation in Ireland and Tax Residency in the U.K.

We are subject to changes in law and other factors that may not allow us to maintain a worldwide effective corporate tax rate that is competitive in our industry.

While we believe that we should be able to maintain a worldwide effective corporate tax rate that is competitive in our industry, we cannot give any assurance as to what our effective tax rate will be in the future, because of, among other things, uncertainty regarding the tax policies of the jurisdictions where we operate. Our actual effective tax rate may vary from our expectation and that variance may be material. Also, the tax laws of the U.S., the U.K., Ireland and other jurisdictions could change in the future, and such changes could cause a material change in our worldwide effective corporate tax rate. In particular, legislative action could be taken by the U.S., the U.K., Ireland or the European Union which could override tax treaties or modify tax statutes or regulations upon which we expect to rely and adversely affect our effective tax rate. We cannot predict the outcome of any specific legislative proposals. If proposals were enacted that had the effect of disregarding our incorporation in Ireland or limiting our ability as an Irish company to maintain tax residency in the U.K. and take advantage of the tax treaties among the U.S., the U.K. and Ireland, we could be subject to increased taxation, which could materially adversely affect our financial condition, results of operations, cash flows or our effective tax rate in future reporting periods.

A change in our tax residency could have a negative effect on our future profitability, and may trigger taxes on dividends or exit charges.

Under current Irish legislation, a company is regarded as resident for tax purposes in Ireland if it is centrally managed and controlled in Ireland, or, in certain circumstances, if it is incorporated in Ireland. Under current U.K. legislation, a company that is centrally managed and controlled in the U.K. is regarded as resident in the U.K. for taxation purposes unless it is treated as resident in another jurisdiction pursuant to any appropriate double tax treaty with the U.K. Other jurisdictions may also seek to assert taxing jurisdiction over nVent.

Where a company is treated as tax resident under the domestic laws of both the U.K. and Ireland, article 4(3) of the Double Tax Convention between Ireland and the U.K. (the “residence tie-breaker”) currently provides that the company shall be treated as resident only in one of those two jurisdictions if its place of effective management is situated in that jurisdiction. The Organisation for Economic Co-operation and Development has proposed a number of measures relating to the tax treatment of multinationals, some of which are to be implemented by amending double tax treaties through a multilateral instrument (the “MLI”). The MLI has been signed and ratified by a number of countries, including Ireland and the U.K. The MLI allows signatories to opt into or out of certain changes: the effect for a given double tax convention depends on the options chosen by the two contracting states. Ireland and the U.K. have confirmed that they intend to change the residence tie-breaker so that it will depend on a determination by the tax authorities of the two contracting states, instead of an objective application of the place of effective management test. The amended residence tie-breaker should take effect for nVent from January 1, 2020 and nVent intends to seek a determination in respect of its tax residence from the tax authorities of the UK and Ireland in advance of that date. nVent does not expect such a determination to alter its tax residency in the U.K..

It is possible that in the future, whether as a result of a change in law (including the entry into force and effect of the MLI) or the practice of any relevant tax authority or as a result of any change in the conduct of our affairs, nVent could become, or be regarded as having become, resident in a jurisdiction other than the U.K. If nVent ceases to be resident in the U.K. and becomes resident in another jurisdiction, it may be subject to U.K. exit charges, and could become liable for additional tax charges in the other jurisdiction (including dividend withholding taxes or corporate income tax charges). If nVent were to be treated as resident in more than one jurisdiction, it could be subject to taxation in multiple jurisdictions. If, for example, nVent were considered to be a tax resident of Ireland, nVent could become liable for Irish corporation tax and any dividends paid by it could be subject to Irish dividend withholding tax.

Legislative action in the U.S. could materially adversely affect us.

Legislative or administrative action may be taken by the U.S. Congress or U.S. Treasury which, if ultimately enacted or finalized, could limit the availability of tax benefits or deductions that we currently claim, override tax treaties upon which we rely, or otherwise affect the taxes that the U.S. imposes on our worldwide operations. Such actions include proposed regulations issued by the U.S. Treasury on December 20, 2018 that, when finalized, would limit the availability of tax benefits we currently claim related to the deductibility of interest (the “Proposed Regulations”). It is anticipated that the Proposed Regulations will be finalized during, or prior to, June 2019. As the Proposed Regulations are not yet finalized, the ultimate outcome is not specifically known at this time. Such changes could materially adversely affect our effective tax rate and/or require us to take further action, at potentially significant expense, to seek to preserve our effective tax rate.

Irish law differs from the laws in effect in the U.S. and may afford less protection to holders of our securities.

It may not be possible to enforce court judgments obtained in the U.S. against us in Ireland based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against us or those persons based on those laws. We have been advised that the U.S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

As an Irish company, we are governed by the Irish Companies Act, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U.S.

In addition, our articles of association provide that the Irish courts have exclusive jurisdiction to determine any and all derivative actions in which a holder of nVent ordinary shares asserts a claim in the name of nVent, actions asserting a claim of breach of a fiduciary duty of any of the directors of nVent and actions asserting a claim arising pursuant to any provision of Irish law or our articles of association. Under Irish law, the proper claimant for wrongs committed against nVent, including by our directors, is considered to be nVent itself. Irish law permits a shareholder to initiate a lawsuit on behalf of a company such as nVent only in limited circumstances and requires court permission to do so.

Transfers of nVent ordinary shares may be subject to Irish stamp duty.

Transfers of nVent ordinary shares effected by means of the transfer of book entry interests in the Depository Trust Company ("DTC") will not be subject to Irish stamp duty. However, if you hold your nVent ordinary shares directly, rather than beneficially through DTC, any transfer of your nVent ordinary shares could be subject to Irish stamp duty (currently at the rate of 1 percent of the higher of the price paid or the market value of the shares acquired). Payment of Irish stamp duty is generally a legal obligation of the transferee.

We currently intend to pay (or cause one of our affiliates to pay) stamp duty in connection with share transfers made in the ordinary course of trading by a seller who holds shares directly to a buyer who holds the acquired shares beneficially. In other cases we may, in our absolute discretion, pay (or cause one of our affiliates to pay) any stamp duty. Our constitution provides that, in the event of any such payment, we (i) may seek reimbursement from the buyer, (ii) will have a lien against the shares acquired by such buyer and any dividends paid on such shares and (iii) may set-off the amount of the stamp duty against future dividends on such shares. Parties to a share transfer may assume that any stamp duty arising in respect of a transaction in nVent ordinary shares has been paid unless one or both of such parties is otherwise notified by us.

nVent ordinary shares, received by means of a gift or inheritance, could be subject to Irish capital acquisitions tax.

Irish capital acquisitions tax ("CAT") could apply to a gift or inheritance of nVent ordinary shares irrespective of the place of residence, ordinary residence or domicile of the parties. This is because nVent ordinary shares will be regarded as property situated in Ireland. The person who receives the gift or inheritance has primary liability for CAT. Gifts and inheritances passing between spouses are exempt from CAT. Children have a tax-free threshold of €320,000 per lifetime in respect of taxable gifts or inheritances received from their parents for periods on or after October 10, 2018.

Financial risk management

Interest rate risk

Our debt portfolio as of December 31, 2018, was comprised of debt denominated in U.S. dollars. This debt portfolio is comprised of 84% fixed-rate debt and 16% variable-rate debt. Changes in interest rates have different impacts on the fixed and variable-rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the fair value, but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows but does not impact the net financial instrument position.

Based on the fixed-rate debt included in our debt portfolio, as of December 31, 2018, a 100 basis point increase or decrease in interest rates would result in a \$48.0 million decrease or a \$52.0 million increase in fair value, respectively.

Based on the variable-rate debt included in our debt portfolio as of December 31, 2018, a 100 basis point increase or decrease in interest rates would result in a \$1.5 million increase or decrease in interest incurred.

Foreign currency and hedge risk

We conduct business in various locations throughout the world and are subject to market risk due to changes in the value of foreign currencies in relation to our reporting currency, the U.S. dollar. Periodically, we use derivative financial instruments to manage these risks. The functional currencies of our foreign operating locations are generally the local currency in the country of domicile. We manage these operating activities at the local level and revenues, costs, assets and liabilities are generally denominated in local currencies, thereby mitigating the risk associated with changes in foreign exchange. However, our results of operations and assets and liabilities are reported in U.S. dollars and thus will fluctuate with changes in exchange rates between such local currencies and the U.S. dollar.

From time to time, we may enter into foreign currency contracts to hedge certain foreign currency risks. As the majority of our foreign currency contracts have an original maturity date of less than one year, there is no material risk of fluctuations in the value of these contracts. Counterparties to all derivative contracts are major financial institutions. All instruments are entered into for other than trading purposes. At December 31, 2018 and 2017, we had outstanding foreign currency derivative contracts with gross notional U.S. dollar equivalent amounts of \$129.0 million and \$10.7 million, respectively. Changes in the fair value of all derivatives are recognized immediately in income unless the derivative qualifies as a hedge of future cash flows. Gains and losses related to a hedge are deferred and recorded in the Consolidated and Combined Balance Sheets as a component of *Accumulated other comprehensive income (loss)* and subsequently recognized in the Consolidated and Combined Statements of Income and Comprehensive Income when the hedged item affects earnings.

In October 2018, we designated a cross-currency swap with a gross notional U.S. dollar equivalent amount of \$69.1 million as a net investment hedge for a portion of our net investment in our Euro denominated subsidiaries. The hedge is intended to reduce, but will not eliminate, the impact on our financial results of changes in the exchange rate between the Euro and the U.S. dollar. The currency risk related to the net investment hedge is measured by estimating the potential impact of a 10% change in the value of the U.S. dollar relative to the Euro. The rates used to perform this analysis were based on the market exchange rates in effect on December 31, 2018. A 10% appreciation of the U.S. dollar relative to the Euro would result in a \$6.3 million net increase in Other comprehensive income. Conversely, a 10% depreciation of the U.S. dollar relative to the Euro would result in a \$7.7 million net decrease in Other comprehensive income. However, these increases and decreases in Other comprehensive income would be offset by decreases or increases in the hedged net investments on our balance sheet due to currency translation.

As of December 31, 2018, we have \$10.4 million of cash held in certain countries in which the ability to repatriate is limited due to local regulations or significant potential tax consequences.

Acquisition of own shares

On July 23, 2018, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of \$500.0 million. The authorization expires on July 23, 2021. During the year ended December 31, 2018, we repurchased 2.4 million of our ordinary shares for \$59.0 million under the 2018 authorization, of which \$3.0 million had not been paid for as of December 31, 2018. As of December 31, 2018, we had \$441.0 million remaining availability for repurchases under the 2018 authorization. All 2.4 million shares were subsequently canceled. Further information is included in Note 5 to the parent company financial statements.

On February 19, 2019, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of \$380.0 million. This authorization is in addition to the authorization approved in July 2018 to repurchase up to \$500.0 million of our ordinary shares. The authorization expires on July 23, 2021.

The repurchase of our ordinary shares under these authorizations from the Board of Directors from time to time, based on market conditions, allow management to return excess cash to enhance shareholder value.

Dividends

Dividends on our ordinary shares or reductions of share capital for distribution to shareholders, if any, must be approved by our board of directors for payment out of distributable reserves on our parent company statutory balance sheet.

On December 11, 2018, the Board of Directors declared a quarterly cash dividend of \$31.0 million, or \$0.175 per ordinary share, that was paid on February 8, 2019 to shareholders of record at the close of business on January 25, 2019. We paid dividends in 2018 of \$62.9 million, or \$0.35 per ordinary share.

On February 19, 2019, the Board of Directors declared a quarterly cash dividend of \$0.175 per ordinary share payable on May 3, 2019 to shareholders of record at the close of business on April 18, 2019.

Under Irish law, the payment of future cash dividends and repurchases of shares may be paid only out of nVent Electric plc's "distributable reserves" on its statutory balance sheet. nVent Electric plc is not permitted to pay dividends out of share capital, which includes share premiums. Distributable reserves may be created through the earnings of the Irish parent company and through a reduction in share capital approved by the Irish High Court. Distributable reserves are not linked to a U.S. generally accepted accounting principles ("GAAP") reported amount (e.g., retained earnings). In June 2018, the Irish High Court approved nVent Electric plc's conversion of approximately \$3.8 billion of share premium to distributable reserves. On July 9, 2018, following the approval of the Irish High Court, we made the required filing of nVent Electric plc's initial accounts with the Irish Companies Registration Office, which completed the process to allow us to pay future cash dividends and redeem and repurchase shares out of nVent Electric plc's "distributable reserves."

Company accounting records

We are responsible for ensuring that the Company keeps adequate accounting records and appropriate accounting systems. The measures taken by the directors to ensure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and the employment of competent persons. We have appointed a Chief Financial Officer who makes regular reports to us and ensures compliance with the requirements of Sections 281-285 of the Companies Act, 2014. The Company also has a Chief Accounting Officer, who works closely with the Chief Financial Officer and who makes regular reports to our Audit Committee. In addition, the Company's Vice President of Internal Audit and the Company's Vice President of Corporate Law and Compliance each make regular reports to our Audit Committee regarding fraud and other financial-related irregularities. Our Audit Committee, in turn, briefs us on significant financial matters arising from reports of the Chief Financial Officer, the Chief Accounting Officer, the Vice President of Internal Audit, the external auditor and the Vice President of Corporate Law and Compliance.

The books and accounting records of nVent Electric plc are maintained at the Company's executive office at 43 London Wall, London, EC2M 5TF, United Kingdom and are readily accessible at nVent Electric plc's registered address of Arthur Cox, 10 Earlsfort Terrace, Dublin, D02 T380, Ireland.

Directors

Beth A. Wozniak, Brian M. Baldwin, Jerry W. Burris, Susan M. Cameron, Michael L. Ducker, David H.Y. Ho, Randall J. Hogan, Ronald L. Merriman, William T. Monahan and Herbert K. Parker served as directors of nVent Electric plc during 2018 and each of their terms expire at the 2019 annual general meeting of shareholders.

Directors and Secretary's interests in shares

No director, the general counsel and secretary, or any member of their immediate family had any interest in shares or debentures of any subsidiary. Directors' remuneration is set forth in Note 23 to the consolidated and combined financial statements. The interests of the directors and company secretary holding office at the year end in the ordinary share capital of nVent Electric plc at the beginning of the financial year, or date of appointment if later, and at the end of the financial year were as follows:

	Ordinary shares of \$0.01 each			
	December 31, 2018		January 1, 2018	
	Shares ⁽¹⁾	Options	Shares ⁽¹⁾	Options
Directors				
Beth A. Wozniak ⁽⁴⁾	75,300	262,590	—	—
Brian M. Baldwin ^{(2) (4)}	17,557,868	—	—	—
Jerry W. Burris ⁽⁴⁾	29,573	38,665	—	—
Susan M. Cameron ⁽⁴⁾	5,278	—	—	—
Michael L. Ducker ⁽⁴⁾	5,130	—	—	—
David H.Y. Ho ⁽⁴⁾	15,996	22,017	—	—
Randall J. Hogan ⁽⁴⁾	642,349	1,769,355	—	—
Ronald L. Merriman ⁽⁴⁾	26,060	38,665	—	—
William T. Monahan ⁽⁴⁾	59,818	38,665	—	—
Herbert K. Parker ⁽⁴⁾	5,130	—	—	—
General Counsel and Secretary				
Jon D. Lammers ⁽³⁾	16,623	29,740	—	—

(1) The amounts in this column include ordinary shares owned by the director, both directly and indirectly, and unvested restricted stock units.

(2) Reflects shares owned by certain funds and investment vehicles managed by Triam Fund Management, L.P. which Mr. Baldwin may be deemed to beneficially own.

(3) Appointed on April 30, 2018 replacing Angela Jilek who resigned on that date.

(4) Appointed director on April 30, 2018 and having no interest in the company at the date of appointment.

(5) On April 30, 2018, Angela Jilek, Andrew Smyth and Neil Mackintosh resigned as directors.

Audit Committee

In accordance with Section 167 of the Companies Act 2014, the Company has established an audit committee for the full financial year. For the period prior to the separation on April 30, 2018, the audit committee was comprised of members of the board of directors of the former Parent.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

Directors' Compliance Statement

As required by Section 225 of the Companies Act 2014, the directors acknowledge that they are responsible for securing nVent Electric plc's compliance with its "relevant obligations" (as defined in that legislation). The directors further confirm that a compliance policy statement has been drawn up, and that appropriate arrangements and structures have been put in place that are, in the directors' opinion, designed to secure material compliance with the relevant obligations. A review of those arrangements and structures has been conducted in the financial year to which this report relates. In discharging their responsibilities under Section 225, the directors relied on the advice of persons who the directors believe have the requisite knowledge and experience to advise nVent Electric plc on compliance with its relevant obligations.

Political donations

No political contributions that require disclosure under Irish law were made during the year.

Subsidiary companies and branches

Information regarding subsidiary undertakings, including information regarding branches, is provided in Note 26 to the consolidated and combined financial statements.

Research and development

We conduct research and development ("R&D") activities primarily in our own facilities, which consist primarily of the development of new products, product applications and manufacturing processes. We expense R&D costs as incurred. R&D expenditures during 2018 and 2017 were \$45.6 million and \$42.5 million, respectively.

Going concern

The directors have a reasonable expectation that the nVent Electric plc Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

The auditors, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Directors

/s/Beth A. Wozniak
Director

/s/ Ronald M. Merriman
Director

February 19, 2019

NVENT ELECTRIC PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the group financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as defined in Section 279 of the Companies Act 2014 to the extent that the use of those principles in preparation of the group financial statements does not contravene any provision of Part 6 of the Companies Act 2014, and the parent company financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the group and the company as at the financial year end date and of the profit or loss of the group for the financial year and otherwise comply with the Companies Act 2014.

In preparing the group and company financial statements, the directors are required to:

- select suitable accounting policies for the group and the parent company financial statements and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting record which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the group and company to be determined with reasonable accuracy, enable them to ensure that the group and company financial statements and directors' report comply with the Companies Act 2014 and enable financial statements to be audited. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NVENT ELECTRIC PLC (the "GROUP")**

Report on the audit of the financial statements

Opinion on the financial statements of nVent Electric plc (the 'group')

In our opinion the group financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group and parent as at 31 December 2018 and of the profit of the group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

the group financial statements:

- the Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit;
- the Consolidated and Combined Balance Sheet;
- the Consolidated and Combined Statement of Cash Flows;
- the Consolidated and Combined Reconciliation of Movement in Shareholders' Funds; and
- the related notes 1 to 26, including a summary of significant accounting policies as set out in note 1.

the parent company financial statements:

- the company Balance Sheet;
- the company Statement of Cash Flows
- the company Statement of Changes in Equity; and
- the related notes 1 to 10, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the group financial statements is the Companies Act 2014 and US Generally Accepted Accounting Principles (US GAAP), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the financial statements does not contravene Part 6 of the Companies Act 2014 ("the relevant financial reporting framework").

The relevant financial reporting framework that has been applied in the preparation of the parent company financial statements is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - cost allocations

In forming our opinion on the group financial statements, which is not modified, we have considered the adequacy of disclosures in Note 1 to the consolidated and combined financial statements regarding the accounting for cost allocations. For period 1 January to 30 April 2018, the amount in the accompanying consolidated and combined financial statements have been derived from the consolidated financial statements and accounting records of Pentair plc. The consolidated and combined financial statements include expense allocations for certain corporate functions historically provided by Pentair plc. These expense allocations may not be reflective of the actual expense which would have been incurred had the Company operated as a separate entity apart from Pentair plc during the period to 30 April 2018.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Valuation of goodwill and indefinite-lived intangible assets
- Valuation of pension and other post-retirement benefit obligations
- Completeness of unrecognized tax positions

Materiality

The materiality that we used in the current year for both the group and parent company was \$18.5m which was determined on the basis of normalised profit before tax.

We use normalised profit before tax to exclude the effect of volatility arising from restructuring, separation costs and impairments, if any.

Scoping

We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in six components. Three of these were subject to a full scope audit, whilst the remaining three components were subject to audits of specified account balances, where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations in those components.

Significant changes in our audit approach

There were no significant changes in our planned audit approach.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter Description	How the scope of our audit responded to the key audit matter
Valuation of goodwill and indefinite-lived intangible assets \$2,515.6m (2017: \$2,519.5m) The assessment of the potential impairment of goodwill and indefinite-lived intangible assets requires significant judgement in determining the appropriate assumptions when projecting future cash flows for these assets. Refer to note 1 (accounting policy for goodwill and identifiable intangible assets) and note 5 in the financial statements.	• In order to evaluate management’s assumptions and data inputs used in the valuation of goodwill and indefinite-lived intangible assets, we performed the following specific procedures; - We obtained an understanding of management’s controls over the development and approval of the projections used in the impairment assessment, and performed testing of relevant controls, which involved reviews by senior members of management to ensure the assumptions used are appropriate. - We performed risk assessment procedures that included gaining an understanding of the key changes to the business to determine the nature, timing and extent of procedures to be performed over management’s key assumptions and assessing whether there had been any triggering events or conditions during 2018 and whether these have been factored into management’s assessment. Assisted by Deloitte fair value specialists, who are part of our engagement team, we challenged the key assumptions made by management for a sample of goodwill and indefinite-lived intangibles. (i) Our audit procedures for goodwill included: (1) Assessment of the valuation methodology used by the company, (2) evaluation of the key assumptions, including the discount and long-term growth rates, and (3) evaluating the reasonableness of management forecasts. (ii) Our audit procedures for indefinite lived intangible assets included: (1) evaluating the reasonableness of management forecasts, including assessing the revenue growth assumptions used within these forecasts, (2) recalculation of the discount rate, and (3) validation of the royalty rate.

Key Observation

Based on the evidence obtained, we concluded that the assumptions used were within a reasonable range.

Key Audit Matter Description	How the scope of our audit responded to the key audit matter
Valuation of pension and other post-retirement benefit obligations \$173.9m (2017: \$171.3m) Significant judgements and estimates are made in valuing the Group’s retirement benefit obligations. Small changes in assumptions and estimates used to value the Group’s pension obligation may have a significant impact on the Group’s financial position. Refer to note 1 (accounting policy for pension and other post-retirement plans) and note 11 in the financial statements.	In order to assess the Group’s valuation of pension and other post-retirement benefit obligations, we performed the following specific procedures; • We obtained an understanding of management’s controls over the development and approval of the assumptions used, and performed testing of relevant controls over approval of the assumptions by management. • We performed risk assessment procedures that included gaining an understanding of the key assumptions used in the pension and other post-retirement plans to determine the nature, timing and extent of procedures to be performed over the assumptions used. • We evaluated the Group’s accounting for pension and other post-retirement plans through a combination of analytical and substantive testing procedures over a sample of plan assets and the benefits paid. Assisted by Deloitte actuarial specialists, we challenged the discount rate, rate of return and mark-to-market adjustment recorded by the Group in order to assess the pension valuations.

Key Observation

Based on the evidence obtained, we concluded that the data and assumptions used by management in the actuarial valuations for defined benefit obligations are within a range we consider to be reasonable.

Key Audit Matter Description	How the scope of our audit responded to the key audit matter
Completeness of unrecognized tax positions \$16.8m (2017: \$24.6m) The calculation of unrecognized tax positions involves assessing uncertainties in the application of complex tax regulations in a multitude of jurisdictions. There are complexities in identifying and evaluating these tax positions due to the disaggregated nature of the Group. Refer also to note 1 (accounting policy for income taxes) and note 10 in the financial statements.	In order to assess the completeness of unrecognized tax positions, we performed the following specific procedures; • We obtained an understanding of management's controls over the identification and review of unrecognized tax positions, and performed testing of relevant controls, being periodic reviews by members of management over tax positions and cross border interest charges. • We performed risk assessment procedures in order to determine the nature, timing and extent of procedures to be performed over unrecognized tax positions and to identify material unrecognized tax positions. For these we have performed audit procedures to assess if the criteria to determine that the positions were supportable. • Assisted by Deloitte tax specialists, who are part of our engagement team, we performed periodic inquiries of the Tax and Corporate Controlling departments to assess the measurement of unrecognized tax positions, the determination of the basis of the estimates and any changes in the business environment in order to assess the completeness of the balance. The testing performed with assistance from our tax specialists include: (1) verifying the mathematical accuracy of the provision calculation and rate reconciliation; (2) testing a selection of permanent adjustments and deferred tax balances; (3) evaluating the possible sources of taxable income; (4) assessing material uncertain tax positions and evaluating against the more likely than not criteria; and (5) ensuring that the valuation allowances are appropriate and complete.

Key Observation

Based on the evidence obtained, we concluded that procedures and assumptions used by management in identifying and valuing unrecognized tax positions to be reasonable.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group and Parent Company to be \$18.5m which is 5.8% of normalised profit before tax. Normalised profit is profit before taxation and before impairment, restructuring and separation costs. We have considered normalised profit before tax to be the benchmark for determining materiality as we determined profit before tax to be of most importance to the principal external users of the financial statements. We have considered quantitative and qualitative factors such as understanding the entity and its environment, complexity of the company and reliability of control environment.

We agreed with the Audit Committee that we would report to the Audit Committee any audit differences in excess of \$925,000 or 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Group financial statements.

An overview of the scope of our audit

We determined the scope of the Group audit by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work of six components. Three of these were subject to a full audit, whilst the remaining three were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations. These six components represent the principal business units and account for at least 59% of the Group's net assets, 80% of the Group's revenue and 98% of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the six components was executed at a materiality of \$15.5 million, which is lower than Group materiality.

We leveraged Deloitte component auditors in United States, Germany and Belgium. Our US team visited the component in Germany and directly performed the component audit procedures for the US components.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Consolidated and Combined Financial Statements for the financial year ended 31 December 2018, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group or parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group or parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent company were sufficient to permit the financial statements to be readily and properly audited.
- The parent company balance sheet is in agreement with the accounting records.
- In our opinion the information given in those parts of the directors' report as specified for our review is consistent with the financial statements and has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report that have been specified for our review.

The Companies Act 2014 also requires us to report to you if, in our opinion, the company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosures of Non-Financial and Diversity Information by certain large undertakings and groups) Regulation 2017 (as amended) for the financial year ended 31 December 2018. We have nothing to report in this regard. We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

/s/ Richard Howard

For and on behalf of Deloitte Ireland LLP

Chartered Accountants and Statutory Audit Firm

Deloitte & Touche House,

Earlsfort Terrace,

Dublin 2

Date: February 19, 2019

nVent Electric plc
Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit

<i>In millions, except per-share data</i>	Note	Financial years ended December 31	
		2018	2017
Turnover	2 & 13	\$ 2,213.6	\$ 2,097.9
Cost of goods sold		1,337.5	1,256.0
Gross profit		876.1	841.9
Selling, general and administrative		519.7	483.3
Research and development		45.6	42.5
Operating profit		310.8	316.1
Net interest payable and similar expenses	15	\$ 31.2	\$ 0.2
Other expense		10.9	2.6
Profit before taxation		268.7	313.3
Taxation	10	37.9	(48.4)
Profit of the group for the year		\$ 230.8	\$ 361.7
Comprehensive profit, net of tax			
Profit of the group for the year		\$ 230.8	\$ 361.7
Changes in cumulative translation adjustment		(48.2)	2.4
Changes in market value of derivative financial instruments, net of tax		(2.5)	1.1
Comprehensive profit		\$ 180.1	\$ 365.2
Earnings per ordinary share			
Basic	3	\$ 1.29	\$ 2.02
Diluted	3	\$ 1.28	\$ 2.00

See accompanying notes to consolidated and combined financial statements.

nVent Electric plc
Consolidated and Combined Balance Sheets as at 31 December 2018

<i>In millions</i>	Note	December 31	
		2018	2017
Fixed assets			
Intangible assets	5	\$ 3,407.6	\$ 3,474.8
Tangible assets	17	264.8	265.8
Financial assets	20	23.1	25.1
Total fixed assets		3,695.5	3,765.7
Current assets			
Stocks	7	228.2	224.1
Debtors	21	470.0	708.3
Cash at bank and in hand		159.0	26.9
Total current assets		857.2	959.3
Creditors (amounts falling due within one year)	18	457.9	385.8
Net current assets		399.3	573.5
Total assets less current liabilities		4,094.8	4,339.2
Creditors (amounts falling due after more than one year)	19	1,001.2	86.7
Provisions for liabilities	22	406.5	461.2
Net assets		\$ 2,687.1	\$ 3,791.3
Commitments and Contingencies (Note 14)			
Capital and Reserves			
Called-up share capital presented as equity	12	\$ 1.8	\$ —
Share premium account		12.1	—
Other reserves		2,697.6	3,848.4
Profit and loss account		83.4	—
Accumulated other comprehensive loss		(107.8)	(57.1)
Total shareholders' funds		\$ 2,687.1	\$ 3,791.3

See accompanying notes to consolidated and combined financial statements.

Approved by the Board of Directors on February 19, 2019 and signed on its behalf by:

/s/ Beth A. Wozniak
Director

/s/ Ronald L. Merriman
Director

nVent Electric plc
Consolidated and Combined Statements of Cash Flows

<i>In millions</i>	Financial years ended December 31	
	2018	2017
Operating activities		
Profit of the group for the year	\$ 230.8	\$ 361.7
Adjustments to reconcile profit of the group to net cash provided by (used for) operating activities		
Depreciation	36.2	36.5
Amortization	60.9	61.4
Deferred taxation	(23.6)	(158.0)
Share-based compensation	12.8	14.6
Impairment of trade names	—	16.4
Pension and other post-retirement expense	14.9	14.3
Pension and other post-retirement contributions	(6.7)	(6.7)
Changes in assets and liabilities, net of effects of business acquisitions		
Trade debtors	(1.3)	(18.2)
Stocks	(12.0)	(8.9)
Trade creditors	13.4	17.0
Other	18.1	79.6
Net cash provided by (used for) operating activities	343.5	409.7
Investing activities		
Capital expenditures	(39.5)	(31.8)
Proceeds from sale of tangible assets	2.4	4.2
Acquisitions, net of cash acquired	(2.0)	(13.6)
Net cash provided by (used for) investing activities	(39.1)	(41.2)
Financing activities		
Net receipts (repayments) of short-term borrowings	(0.3)	—
Proceeds from long-term debt	1,000.0	—
Repayment of long-term debt	(52.5)	—
Debt issuance at cost	(9.9)	—
Cash provided at separation to Parent	(993.6)	—
Dividends paid	(62.9)	—
Net transfers to Parent prior to separation	—	(359.5)
Shares issued to employees, net of shares withheld	8.6	—
Repurchases of ordinary shares	(56.0)	—
Net cash provided by (used for) financing activities	(166.6)	(359.5)
Effect of exchange rate changes on cash at bank and in hand	(5.7)	(3.6)
Change in cash at bank and in hand	132.1	5.4
Cash at bank and in hand, beginning of year	26.9	21.5
Cash at bank and in hand, end of year	\$ 159.0	\$ 26.9
Supplemental cash flow information		
Cash paid for interest, net	\$ 34.7	\$ —
Cash paid for income taxes, net	\$ 57.4	\$ —

See accompanying notes to consolidated and combined financial statements.

nVent Electric plc
Consolidated and Combined Reconciliation of Movements in Shareholders' Funds

	Called-up & fully paid share capital			Other reserves							
	Number	Amount		Share premium account	Other	Profit and loss account	Merger account	Net Parent Investment	Accumulated other comprehensive loss (note 6)	Total	
<i>In millions</i>											
Balance - December 31, 2016	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,546.3	\$ (60.6)	\$ 3,485.7	
Profit after taxation	—	—	—	—	—	—	—	361.7	—	361.7	
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	—	3.5	3.5	
Net transfers to Parent	—	—	—	—	—	—	—	(59.6)	—	(59.6)	
Balance - December 31, 2017	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,848.4	\$ (57.1)	\$ 3,791.3	
Profit after taxation	—	—	—	—	—	177.3	—	53.5	—	230.8	
Cumulative effect of accounting changes	—	—	—	—	—	—	—	(172.7)	—	(172.7)	
Other comprehensive income, net of tax	—	—	—	—	—	—	—	—	(50.7)	(50.7)	
Net transfers from Parent	—	—	—	—	—	—	—	14.6	—	14.6	
Cash provided at separation to Parent	—	—	—	—	—	—	—	(993.6)	—	(993.6)	
Reclassification of Net Parent investment to additional paid-in capital (other)	—	—	—	—	2,750.2	—	—	(2,750.2)	—	—	
Issuance of common stock upon separation	178.4	1.8	—	—	—	—	3,775.0	—	—	3,776.8	
Issuance of bonus share	—	—	—	3,775.0	—	—	(3,775.0)	—	—	—	
Share capital reduction	—	—	—	(3,775.0)	—	—	—	—	—	(3,775.0)	
Dividends declared	—	—	—	—	—	(93.9)	—	—	—	(93.9)	
Share repurchase	(2.4)	—	—	—	(59.0)	—	—	—	—	(59.0)	
Exercise of options, net of shares tendered for payment	1.0	—	—	12.1	—	—	—	—	—	12.1	
Issuance of restricted shares, net of cancellations	0.4	—	—	—	—	—	—	—	—	—	
Shares surrendered by employees to pay taxes	(0.2)	—	—	—	(3.5)	—	—	—	—	(3.5)	
Share-based compensation	—	—	—	—	9.9	—	—	—	—	9.9	
Balance - December 31, 2018	177.2	\$ 1.8	\$ 12.1	\$ 2,697.6	\$ 83.4	\$ —	\$ —	\$ —	\$ (107.8)	\$ 2,687.1	

See accompanying notes to consolidated and combined financial statements.

1. Basis of Presentation and Summary of Significant Accounting Policies

Business

nVent Electric plc ("nVent," "we," "us," "our" or the "Company") a public company limited by shares and incorporated in the Republic of Ireland and having its registered offices at 10 Earlsfort Terrace, Dublin, D02 T380, Ireland. Its registered number is 605257.

nVent is a leading global provider of electrical connection and protection solutions. The Company is comprised of 3 reporting segments: Enclosures, Thermal Management and Electrical & Fastening Solutions.

The Company was incorporated in Ireland on May 30, 2017. Although our jurisdiction of organization is Ireland, we manage our affairs so that we are centrally managed and controlled in the United Kingdom (the "U.K.") and therefore have tax residency in the U.K.

Separation from Pentair

On April 30, 2018, Pentair plc ("Pentair" or "Parent") completed the separation of its Water business and its Electrical business into two independent, publicly-traded companies (the "separation"). To effect the separation, Pentair distributed to its shareholders one ordinary share of nVent for every ordinary share of Pentair held as of the record date of April 17, 2018. As a result of the distribution, nVent is now an independent publicly-traded company and began "regular way" trading under the symbol "NVT" on the New York Stock Exchange on May 1, 2018.

Except where indicated, references below to transactions completed by nVent prior to April 30, 2018 refer to transactions completed by or on behalf of the Electrical reporting segment of Pentair that are reflected on the consolidated and combined financial statements of nVent.

Basis of presentation

The directors have elected to prepare the consolidated and combined financial statements in accordance with the Companies Act 2014 which provides that a true and fair view of the assets and liabilities, financial position and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as defined in Section 279 of the Companies Act 2014 to the extent that the use of those principles in the preparation of the financial statements does not contravene any provisions of Part 6 of the Companies Act 2014 ("the relevant financial reporting framework").

These consolidated and combined financial statements were prepared in accordance with Irish company law, to present to shareholders and file with the Companies Registration Office in Ireland. Accordingly, these consolidated and combined financial statements include disclosures and other presentational and measurement amendments required by the Republic of Ireland's Companies Act 2014 in addition to those required under GAAP.

The financial information for periods prior to April 30, 2018 was prepared on a stand-alone basis derived from the consolidated financial statements and records of Pentair as if nVent were operated on a stand-alone basis. These consolidated and combined financial statements have been prepared in U.S. dollars ("USD") and where deemed appropriate the presentation format varies from the prescribed formats in Schedule 3 of the Companies Act 2014.

Cost allocations

For periods prior to the separation, the consolidated and combined financial statements of nVent include general corporate expenses of Pentair for certain support functions that are provided on a centralized basis, such as expenses related to executive management, finance, audit, legal, information technology, human resources, communications, facilities and employee benefits and compensation. These general corporate expenses are included in the Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit within *Selling, general and administrative expenses*. The amounts allocated were \$42.5 million and \$65.7 million for the years ended December 31, 2018 and 2017, respectively, of which \$10.3 million and \$31.0 million, respectively, were historically recorded to the Electrical segment in Pentair's consolidated financial statements. These expenses have been allocated to nVent on the basis of direct usage when identifiable, with the remainder allocated based on a proportional basis of net sales, headcount or other measures.

The Company considers the allocation methodology regarding the Parent's general corporate expenses to be reasonable for all periods presented. Nevertheless, the consolidated and combined financial statements of the Company may not reflect the actual expenses that would have been incurred and may not reflect the Company's consolidated and combined results of operations, financial position and cash flows had it been a stand-alone company during the periods presented. Actual costs that would have been incurred if the Company had been a stand-alone company would depend on multiple factors including organization structure, capital structure and strategic decisions made in various areas, including information technology and infrastructure.

Transactions between the Company and the Parent have been included in related party transactions in these consolidated and combined financial statements and are considered to be effectively settled at the time the transaction is recorded. The total net effect of the settlement of these transactions is reflected in the Consolidated and Combined Statements of Cash Flows as a financing activity and in the Consolidated and Combined Balance Sheets as *Net Parent investment*. The *Net Parent investment* represents the Parent's historical investment in the Company, the net effect of cost allocations from transactions with the Parent, net transfers of cash and assets to the Parent and the Company's accumulated earnings.

Financial year

Our financial year ends on December 31.

Use of estimates

The preparation of our consolidated and combined financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in these consolidated and combined financial statements and accompanying notes, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of turnovers and expenses during the reporting period. These estimates include our accounting for valuation of goodwill and indefinite lived intangible assets, estimated allowance for doubtful accounts, estimated realizable value on excess and obsolete stocks, percentage of completion turnover recognition, assets acquired and liabilities assumed in acquisitions, estimated selling proceeds from assets held for sale, contingent liabilities, income taxes and pension and other post-retirement benefits. Actual results could differ from our estimates.

Turnover recognition

See Note 2 for information pertaining to our accounting policies for turnover recognition.

Research and development

We conduct research and development ("R&D") activities primarily in our own facilities, which consist primarily of the development of new products, product applications and manufacturing processes.

Cash equivalents

We consider highly liquid investments with original maturities of three months or less at the date of acquisition to be cash equivalents.

Trade debtors and concentration of credit risk

We record an allowance for doubtful accounts, reducing our debtors balance to an amount we estimate is collectible from our customers. Estimates used in determining the allowance for doubtful accounts are based on current trends, aging of trade debtors, periodic credit evaluations of our customers' financial condition, and historical collection experience. We generally do not require collateral. No customer receivable balances exceeded 10% of total net receivable balances as of December 31, 2018 or December 31, 2017.

Stocks

Stocks are stated at the lower of cost or net realizable value with substantially all stocks recorded using the first-in, first-out ("FIFO") cost method.

Tangible assets

Tangible assets are stated at historical cost. We compute depreciation by the straight-line method based on the following estimated useful lives:

	Years
Land improvements	5 to 20
Buildings and leasehold improvements	5 to 50
Machinery and equipment	3 to 15

Significant improvements that add to productive capacity or extend the lives of properties are capitalized. Costs for repairs and maintenance are charged to expense as incurred. When property is retired or otherwise disposed of, the recorded cost of the assets and their related accumulated depreciation are removed from the Consolidated and Combined Balance Sheets and any related gains or losses are included in income.

We review the recoverability of long-lived assets to be held and used, such as tangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of the asset or asset group from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset or asset group, an impairment loss is recognized for the difference between estimated fair value and carrying value. Impairment losses on long-lived assets held for sale are determined in a similar manner, except that fair values are reduced for the cost to dispose of the assets. The measurement of impairment requires us to estimate future cash flows and the fair value of long-lived assets. We recorded no impairment charges in 2018 or 2017 in conjunction with restructuring activities.

The following table presents geographic *Property, plant and equipment, net* by region as of December 31:

<i>In millions</i>	2018	2017
U.S. & Canada	\$ 159.6	\$ 159.7
Mexico	39.7	37.3
EMEA ⁽¹⁾	58.1	60.3
Rest of World ⁽²⁾	7.4	8.5
Consolidated	\$ 264.8	\$ 265.8

⁽¹⁾ EMEA includes Europe, Middle East and Africa

⁽²⁾ Rest of World includes Latin America and Asia-Pacific

Goodwill and identifiable intangible assets

Goodwill

Goodwill represents the excess of the cost of acquired businesses over the net of the fair value of identifiable tangible net assets and identifiable intangible assets purchased and liabilities assumed. Irish company law requires goodwill and indefinite-lived intangible assets to be amortized. However, nVent does not believe this gives a true and fair view because not all goodwill and intangible assets decline in value. In addition, since goodwill that does decline in value rarely does so on a straight-line basis, straight-line amortization of goodwill over an arbitrary period does not reflect the economic reality. Therefore, in order to present a true and fair view of the economic reality, under US GAAP, goodwill and certain other intangible assets are considered indefinite-lived and are not amortized.

Goodwill is tested at least annually for impairment and is tested for impairment more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is performed using a two-step process. In the first step, the fair value of each reporting unit is compared with the carrying amount of the reporting unit, including goodwill. If the estimated fair value is less than the carrying amount of the reporting unit there is an indication that goodwill impairment exists and a second step must be completed in order to determine the amount of the goodwill impairment, if any, which should be recorded. In the second step, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation.

The fair value of each reporting unit is determined using a discounted cash flow analysis and market approach. Projecting discounted future cash flows requires us to make significant estimates regarding future turnovers and expenses, projected capital expenditures, changes in working capital and the appropriate discount rate. Use of the market approach consists of comparisons to comparable publicly-traded companies that are similar in size and industry. Actual results may differ from those used in our valuations. This non-recurring fair value measurement is a "Level 3" measurement under the fair value hierarchy described below.

In developing our discounted cash flow analysis, assumptions about future revenues and expenses, capital expenditures and changes in working capital, are based on our annual operating plan and long-term business plan for each of our reporting units. These plans take into consideration numerous factors including historical experience, anticipated future economic conditions, changes in raw material prices and growth expectations for the industries and end markets we participate in. These assumptions are determined over a six year long-term planning period. The six year growth rates for revenues and operating profits vary for each reporting unit being evaluated. Revenues and operating profit beyond 2024 are projected to grow at a perpetual growth rate of 3.0%.

Discount rate assumptions for each reporting unit take into consideration our assessment of risks inherent in the future cash flows of the respective reporting unit and our weighted-average cost of capital. We utilized a discount rate of 10.0% for each reporting unit in determining the discounted cash flows in our fair value analysis.

In estimating fair value using the market approach, we identify a group of comparable publicly-traded companies for each reporting unit that are similar in terms of size and product offering. These groups of comparable companies are used to develop multiples based on total market-based invested capital as a multiple of earnings before interest, taxes, depreciation and amortization ("EBITDA"). We determine our estimated values by applying these comparable EBITDA multiples to the operating results of our reporting units. The ultimate fair value of each reporting unit is determined considering the results of both valuation methods.

We did not recognize any goodwill impairment losses in 2018 or 2017.

Identifiable intangible assets

Our primary identifiable intangible assets include: customer relationships, trade names, proprietary technology and patents. Identifiable intangibles with finite lives are amortized and those identifiable intangibles with indefinite lives are not amortized. Identifiable intangible assets that are subject to amortization are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Identifiable intangible assets not subject to amortization are tested for impairment annually or more frequently if events warrant. We complete our annual impairment test during the fourth quarter each year for those identifiable assets not subject to amortization.

We compute amortization by the straight-line method based on the following estimated useful lives:

	Years
Customer relationships	5 to 20
Trade names	5 to 10
Proprietary technology	5 to 20
Patents	5 to 20
Backlog	1 to 5

The impairment test for trade names consists of a comparison of the fair value of the trade name with its carrying value. Fair value is measured using the relief-from-royalty method. This method assumes the trade name has value to the extent that the owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires us to estimate the future turnover for the related brands, the appropriate royalty rate and the weighted average cost of capital. The non-recurring fair value measurement is a "Level 3" measurement under the fair value hierarchy described below.

During the fourth quarter of 2017, we recorded an impairment charge of \$13.0 million related to a trade name in Electrical & Fastening Solutions as a result of lower forecasted sales volume in our annual impairment evaluation. We also recorded an impairment charge of \$3.4 million related to certain trade names in Thermal Management as a result of rebranding strategies implemented in the fourth quarter of 2017. The trade name impairment charges were recorded in *Selling, general and administrative* in our Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit.

There were no impairment charges recorded in 2018 for identifiable intangible assets.

Income taxes

We use the asset and liability approach to account for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities (including those attributed to the Company from the Parent for the Consolidated and Combined Balance Sheets) and their respective tax bases using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. We maintain valuation allowances unless it is more likely than not that all or a portion of the deferred tax assets will be realized. Changes in valuation allowances from period to period are included in our tax provision in the period of change. We recognize the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is more likely than not to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Pension and other post-retirement plans

We sponsor defined-benefit pension plans and a post-retirement health plan. The pension and other post-retirement benefit costs for these plans are determined from actuarial assumptions and methodologies, including discount rates and expected returns on plan assets. These assumptions are updated annually and are disclosed in Note 11.

For periods prior to the separation, certain nVent employees participated in defined benefit pension plans and post-retirement health plans sponsored by the former Parent which also include the Parent participants. For purposes of these consolidated and combined financial statements, nVent accounts for these plans as multi-employer benefit plans. Accordingly, nVent does not record an asset or liability to recognize the funded status of these plans. However, nVent does record its share of the allocated expense, including net actuarial gains or losses described below.

We recognize changes in the fair value of plan assets and net actuarial gains or losses for pension and other post-retirement benefits annually in the fourth quarter each year ("mark-to-market adjustment") and, if applicable, in any quarter in which an interim remeasurement is triggered. Net actuarial gains and losses occur when the actual experience differs from any of the various assumptions used to value our pension and other post-retirement plans or when assumptions change, as they may each year. The remaining components of pension expense, including service and interest costs and estimated return on plan assets, are recorded on a quarterly basis.

Earnings per ordinary share

Basic earnings per share are computed by dividing profit attributable to nVent Electric plc by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are computed by dividing profit attributable to nVent Electric plc by the weighted-average number of ordinary shares outstanding including the dilutive effects of ordinary share equivalents.

Derivative financial instruments

We recognize all derivatives, including those embedded in other contracts, as either assets or liabilities at fair value in our Consolidated and Combined Balance Sheets. If the derivative is designated and is effective as a cash-flow hedge, the effective portion of changes in the fair value of the derivative are recorded in *Accumulated other comprehensive profit/(loss)* ("AOCI") as a separate component of shareholders' funds in the Consolidated and Combined Balance Sheets and is recognized in the Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit when the hedged item affects earnings. If the underlying hedged transaction ceases to exist or if the hedge becomes ineffective, all changes in fair value of the related derivatives that have not been settled are recognized in current earnings. For a derivative that is not designated as or does not qualify as a hedge, changes in fair value are reported in earnings immediately.

Gains and losses on net investment hedges are included in AOCI as a separate component of equity in the Consolidated and Combined Balance Sheets.

We use derivative instruments for the purpose of hedging interest rate and currency exposures, which exist as part of ongoing business operations. We do not hold or issue derivative financial instruments for trading or speculative purposes. All other contracts that contain provisions meeting the definition of a derivative also meet the requirements for the normal purchases and normal sales scope exception. Our policy is not to enter into contracts with terms that cannot be designated as normal purchases or sales. From time to time, we may enter into short duration foreign currency contracts to hedge foreign currency risks.

Fair value measurements

Fair value is defined 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. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

Level 1: Valuation is based on observable inputs such as quoted market prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Valuation is based on inputs such as quoted market prices for similar assets or liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

In making fair value measurements, observable market data must be used when available. 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.

Foreign currency translation

The financial statements of subsidiaries located outside of the U.S. are generally measured using the local currency as the functional currency, except for certain corporate entities outside of the U.S. which are measured using USD. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at average monthly rates of exchange. The resultant translation adjustments are included in AOCI, a separate component of shareholders' funds.

New accounting standards

On January 1, 2019, we adopted ASU No. 2016-02, "Leases" ("the new lease standard" or "ASC 842") using the alternative transition method. Adoption of the new standard resulted in the recording of additional right-of-use assets and lease liabilities of approximately \$44 million, as of January 1, 2019. The adoption of the standard did not have a material impact on our Consolidated and Combined Statements of Profit and Loss Account and Statement of Comprehensive Profit or our Consolidated and Combined Statement of Cash Flows. Under the alternative method of adoption, comparative information has not been restated and continues to be reported under the standards in effect for those periods.

In addition, we elected to avail of the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification. We also elected to apply the practical expedient to not separate non-lease components from the lease components to which they relate, and instead account for each separate lease and non-lease component associated with that lease component as a single lease component for all underlying asset classes. Accordingly, all costs associated with a lease contract are accounted for as lease cost. We implemented internal controls and key system functionality to enable the preparation of financial information upon adoption.

On January 1, 2018, we adopted ASU No. 2014-09, "Revenue from Contracts with Customers" and the related amendments ("ASC 606" or "the new revenue standard") using the modified retrospective method. As a result of adoption, the cumulative impact to our beginning equity at January 1, 2018 was \$1.8 million. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. We expect the impact of the adoption of the new standard to be immaterial to our net income on an ongoing basis.

The adoption of the new standard had an impact on our accounting for certain custom products manufactured by our Enclosures segment. Prior to the adoption of the standard revenue was recognized for these custom products upon shipment. However, as these products have no alternative use to the Company and we have an enforceable right to payment for our performance completed to date, revenue related to these custom products will now be recognized over time. Additionally, the new revenue standard resulted in reclassifications on the Consolidated and Combined Balance Sheets related to accounting for sales returns. The impact of adoption of the new revenue standard on our Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit for the year ended December 31, 2018 and Consolidated and Combined Balance Sheets as of December 31, 2018 was not material.

On January 1, 2018, we adopted Accounting Standards Update ("ASU") No. 2017-07, "Retirement Benefits-Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." As a result of the adoption, the interest cost, expected return on plan assets and net actuarial gain/loss components of net periodic pension and post-retirement benefit cost have been reclassified from *Selling, general and administrative* to *Other expense*. Only the service cost component remains in Operating income and will be eligible for capitalization in assets on a prospective basis.

The effect of the retrospective presentation change related to the net periodic cost of our defined benefit pension and other post-retirement plans on our Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit was a reclassification of \$2.6 million of pension and post-retirement expense for the year ended 2017 from *Selling, general and administrative* to *Other expense*.

On January 1, 2018, we adopted ASU No. 2016-16, "Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory" using the modified retrospective method. The ASU requires the tax effects of all intra-entity sales of assets other than inventory to be recognized in the period in which the transaction occurs. The adoption resulted in a \$174.5 million cumulative-effect adjustment recorded in equity as of the beginning of 2018 that reflects a \$201.5 million reduction of non-current prepaid income tax assets, partially offset by the establishment of \$27.0 million of deferred tax assets.

The cumulative effect of the changes made to our January 1, 2018 Consolidated and Combined Balance Sheets from the modified retrospective adoption of ASU 2016-16 and ASU 2014-09 was as follows:

Consolidated and Combined Balance Sheets

<i>In millions</i>	Balance at December 31, 2017	Adjustments due to ASU 2016-16	Adjustments due to ASU 2014-09	Balance at January 1, 2018
<u>Assets</u>				
Accounts and notes receivable, net	\$ 349.3	\$ —	\$ 3.8	\$ 353.1
Inventories	224.1	—	(1.8)	222.3
Other current assets	132.3	—	1.8	134.1
Other non-current assets	251.8	(174.5)	—	77.3
<u>Liabilities</u>				
Other current liabilities	141.3	—	3.8	145.1
Deferred tax liabilities	279.4	—	0.4	279.8
<u>Equity</u>				
Net Parent investment	3,848.4	(174.5)	1.8	3,675.7

2. Revenue

Revenue recognition

Revenue is recognized when control of the promised goods or services are transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for transferring those goods or providing services. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

When determining whether the customer has obtained control of the goods or services, we consider any future performance obligations. Generally, there is no post-shipment obligation on product sold other than warranty obligations in the normal and ordinary course of business. In the event significant post-shipment obligations were to exist, revenue recognition would be deferred until nVent has substantially accomplished what it must do to be entitled to the benefits represented by the revenues.

Performance obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of our contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. For contracts with multiple performance obligations, stand-alone selling price is generally readily observable.

Our performance obligations are satisfied at a point in time or over time as work progresses. Revenue from products and services transferred to customers at a point in time accounted for 72% of our revenue for the financial year ended December 31, 2018. Revenue on these contracts is recognized when obligations under the terms of the contract with our customer are satisfied; generally this occurs with the transfer of control upon shipment.

Revenue from products and services transferred to customers over time accounted for 28% of our revenue for the financial year ended December 31, 2018. For the majority of our revenue recognized over time, we use an input measure to determine progress towards completion. Under this method, sales and gross profit are recognized as work is performed generally based on the relationship between the actual costs incurred and the total estimated costs at completion ("the cost-to-cost method") or based on efforts for measuring progress towards completion in situations in which this approach is more representative of the progress on the contract than the cost-to-cost method. Contract costs include labor, material, overhead and, when appropriate, general and administrative expenses. Changes to the original estimates may be required during the life of the contract and such estimates are reviewed on a regular basis. Sales and gross profit are adjusted using the cumulative catch-up method for revisions in estimated total contract costs. These reviews have not resulted in adjustments that were significant to our results of operations. For performance obligations related to long-term contracts, when estimates of total costs to be incurred on a performance obligation exceed total estimates of revenue to be earned, a provision for the entire loss on the performance obligation is recognized in the period the loss is determined.

We use an output method to measure progress towards completion for certain of our Enclosures businesses, as this method appropriately depicts performance towards satisfaction of the performance obligation. Under the output method, revenue is recognized based on number of units produced.

On December 31, 2018, we had \$60.0 million of remaining performance obligations on contracts with original expected duration of one year or more. We expect to recognize the majority of our remaining performance obligations on these contracts within the next P12M to P18M months.

Sales returns

The right of return may exist explicitly or implicitly with our customers. Our return policy allows for customer returns only upon our authorization. Goods returned must be product we continue to market and must be in salable condition. When the right of return exists, we adjust the transaction price for the estimated effect of returns. We estimate the expected returns based on historical sales levels, the timing and magnitude of historical sales return levels as a percent of sales, type of product, type of customer and a projection of this experience into the future.

Pricing and sales incentives

Our sales contracts may give customers the option to purchase additional goods or services priced at a discount. Options to acquire additional goods or services at a discount can come in many forms, such as customer programs and incentive offerings including pricing arrangements, promotions and other volume-based incentives.

We reduce the transaction price for certain customer programs and incentive offerings including pricing arrangements, promotions and other volume-based incentives that represent variable consideration. Sales incentives given to our customers are recorded using either the expected value method or most likely amount approach for estimating the amount of consideration to which nVent shall be entitled. The expected value is the sum of probability-weighted amounts in a range of possible consideration amounts. An expected value is an appropriate estimate of the amount of variable consideration when there are a large number of contracts with similar characteristics. The most likely amount is the single most likely amount in a range of possible consideration amounts (that is, the single most likely outcome of the contract). The most likely amount is an appropriate estimate of the amount of variable consideration if the contract has limited possible outcomes (for example, an entity either achieves a performance bonus or does not).

Pricing is established at or prior to the time of sale with our customers and we record sales at the agreed-upon net selling price. However, certain of our businesses allow customers to apply for a refund of a percentage of the original purchase price if they can demonstrate sales to a qualifying end customer. We use the expected value method to estimate the anticipated refund to be paid based on historical experience and reduce sales for the probable cost of the discount. The cost of these refunds is recorded as a reduction of transaction price.

Volume-based incentives involve rebates that are negotiated at or prior to the time of sale with the customer and are redeemable only if the customer achieves a specified cumulative level of sales or sales increase. Under these incentive programs, at the time of sale, we estimate the anticipated rebate to be paid based on forecasted sales levels. These forecasts are updated at least quarterly for each customer and the transaction price is reduced for the anticipated cost of the rebate. If the forecasted sales for a customer changes, the accrual for rebates is adjusted to reflect the new amount of rebates expected to be earned by the customer.

Shipping and handling costs

Amounts billed to customers for shipping and handling activities after the customer obtains control are treated as a promised service performance obligation and recorded in *Turnover* in the accompanying Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit. Shipping and handling costs incurred by nVent for the delivery of goods to customers are considered a cost to fulfill the contract and are included in *Cost of goods sold* in the accompanying Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit.

Contract assets and liabilities

Contract assets consist of unbilled amounts resulting from sales under long-term contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, such as when the customer retains a small portion of the contract price until completion of the contract. We typically receive interim payments on sales under long-term contracts as work progresses, although for some contracts, we may be entitled to receive an advance payment. Contract liabilities consist of advanced payments and billings in excess of costs incurred and deferred revenue.

Contract assets are recorded within *Debtors* and contract liabilities are recorded within *Creditors (amounts falling due within one year)* in the Consolidated and Combined Balance Sheets.

Contract assets and liabilities consisted of the following:

<i>In millions</i>	December 31, 2018	January 1, 2018	\$ Change	% Change
Contract assets	\$ 74.4	\$ 69.9	\$ 4.5	6.4 %
Contract liabilities	13.2	14.3	(1.1)	(7.7)%
Net contract assets	\$ 61.2	\$ 55.6	\$ 5.6	10.1 %

The \$5.6 million increase in net contract assets from January 1, 2018 to December 31, 2018 was primarily the result of timing of milestone payments. The majority of our contract liabilities at January 1, 2018 were recognized in revenue as of December 31, 2018. There were no impairment losses recognized on our contract assets for the twelve months ended December 31, 2018.

Practical expedients and exemptions

We generally expense incremental costs of obtaining a contract when incurred because the amortization period would be less than one year. These costs primarily relate to sales commissions and are recorded in *Selling, general and administrative* in the Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit.

We do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. Further, we do not adjust the promised amount of consideration for the effects of a significant financing component if we expect, at contract inception, that the period between when we transfer a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Revenue by category

We disaggregate our revenue from contracts with customers by geographic location and vertical market, as we believe these best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Geographic net sales information, based on geographic destination of the sale, was as follows:

<i>In millions</i>	Year ended December 31, 2018			
	Enclosures	Thermal Management	Electrical & Fastening Solutions	Total
U.S. and Canada	\$ 704.3	\$ 351.4	\$ 397.8	\$ 1,453.5
Developed Europe ⁽¹⁾	202.7	174.4	110.8	487.9
Developing ⁽²⁾	101.0	80.9	47.1	229.0
Other Developed ⁽³⁾	11.7	16.5	15.0	43.2
Total	\$ 1,019.7	\$ 623.2	\$ 570.7	\$ 2,213.6

⁽¹⁾ *Developed Europe* - Represents Western Europe and Eastern Europe included in European Union.

⁽²⁾ *Developing* - Represents China, Eastern Europe not included in European Union, Latin America, Middle East and Southeast Asia.

⁽³⁾ *Other Developed* - Represents Australia and Japan.

Vertical net sales information was as follows:

<i>In millions</i>	Year ended December 31, 2018			
	Enclosures	Thermal Management	Electrical & Fastening Solutions	Total
Industrial	\$ 626.1	\$ 263	\$ 112.7	\$ 1,001.8
Commercial & Residential	87.5	187.7	329.7	604.9
Energy	103.4	166.9	52.1	322.4
Infrastructure	202.7	5.6	76.2	284.5
Total	\$ 1,019.7	\$ 623.2	\$ 570.7	\$ 2,213.6

3. Earnings Per Share

On April 30, 2018, Pentair completed the separation of its Electrical business, distributing to its shareholders one ordinary share of nVent for every ordinary share of Pentair held as of the record date of April 17, 2018. The computations of basic and diluted earnings per share for periods prior to the separation were calculated using the shares that were distributed to Pentair shareholders upon the separation.

Basic and diluted earnings per share were calculated as follows:

<i>In millions, except per share data</i>	Financial years ended December 31	
	2018	2017
Profit of the group for the year	\$ 230.8	\$ 361.7
Weighted average ordinary shares outstanding		
Basic	178.6	179.0
Dilutive impact of stock options, restricted stock units and performance share units	2.2	2.2
Diluted	180.8	181.2
Earnings per ordinary share		
Basic earnings per ordinary share	\$ 1.29	\$ 2.02
Diluted earnings per ordinary share	\$ 1.28	\$ 2.00
Anti-dilutive stock options excluded from the calculation of diluted earnings per share	1.0	0.4

4. Restructuring

During 2018 and 2017, we initiated and continued execution of certain business restructuring initiatives aimed at reducing our fixed cost structure and realigning our business in connection with the separation from Pentair. These initiatives included a reduction of in hourly and salaried headcount of approximately 50 and 250 employees in 2018 and 2017, respectively

Restructuring related costs included in *Selling, general and administrative* expenses in the Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit included costs for severance and other restructuring costs as follows:

<i>In millions</i>	Financial years ended December 31	
	2018	2017
Severance and related costs	\$ 7.3	\$ 16.0
Other	0.4	0.8
Total restructuring costs	\$ 7.7	\$ 16.8

(1) Other restructuring costs primarily consist of asset impairment and various contract termination costs.

Restructuring costs by reportable segment were as follows:

<i>In millions</i>	Financial years ended December 31	
	2018	2017
Enclosures	\$ 1.3	\$ 6.7
Thermal Management	2.8	7.5
Electrical & Fastening Solutions	1.9	2.6
Other	1.7	—
Consolidated	\$ 7.7	\$ 16.8

Activity related to accrued severance and related costs recorded in *Provision for liabilities* in the Consolidated and Combined Balance Sheets is summarized as follows:

<i>In millions</i>	Financial years ended December 31	
	2018	2017
Beginning balance	\$ 5.1	\$ 10.3
Costs incurred	7.3	16.0
Cash payments and other	(8.6)	(21.2)
Ending balance	\$ 3.8	\$ 5.1

5. Intangible Assets

The changes in the carrying amount of goodwill for the years ended December 31, 2018 and 2017 by reportable segment were as follows:

<i>In millions</i>	December 31, 2017	Acquisitions/ divestitures	Foreign currency translation/other	December 31, 2018
Enclosures	\$ 274.8	\$ —	\$ (2.8)	\$ 272.0
Thermal Management	927.1	—	(3.0)	924.1
Electrical & Fastening Solutions	1,036.3	1.9	—	1,038.2
Total goodwill	\$ 2,238.2	\$ 1.9	\$ (5.8)	\$ 2,234.3

<i>In millions</i>	December 31, 2016	Acquisitions/ divestitures	Foreign currency translation/other	December 31, 2017
Enclosures	\$ 267.6	\$ —	\$ 7.2	\$ 274.8
Thermal Management	924.2	—	2.9	927.1
Electrical & Fastening Solutions	1,031.0	5.3	—	1,036.3
Total goodwill	\$ 2,222.8	\$ 5.3	\$ 10.1	\$ 2,238.2

Identifiable intangible assets consisted of the following at December 31:

<i>In millions</i>	2018			2017		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Definite-life intangibles						
Customer relationships	\$ 1,149.7	\$ (266.4)	\$ 883.3	\$ 1,153.0	\$ (207.5)	\$ 945.5
Proprietary technology and patents	14.8	(6.1)	8.7	14.6	(4.8)	9.8
Total finite-life intangibles	1,164.5	(272.5)	892.0	1,167.6	(212.3)	955.3
Indefinite-life intangibles						
Trade names	281.3	—	281.3	281.3	—	281.3
Total intangibles	\$ 1,445.8	\$ (272.5)	\$ 1,173.3	\$ 1,448.9	\$ (212.3)	\$ 1,236.6

Identifiable intangible asset amortization expense in 2018 and 2017 was \$60.9 million and \$61.4 million, respectively.

There were no impairment charges recorded in 2018. In 2017, we recorded impairment charges for trade name intangible assets of \$16.4 million.

Estimated future amortization expense for identifiable intangible assets during the next five years is as follows:

<i>In millions</i>	2019	2020	2021	2022	2023
Estimated amortization expense	\$ 60.4	\$ 60.3	\$ 59.1	\$ 59.1	\$ 58.9

6. Accumulated Other Comprehensive Income (Loss)

Components of AOCI consist of the following:

<i>In millions</i>	December 31	
	2018	2017
Cumulative translation adjustments	\$ (105.3)	\$ (57.8)
Cumulative change in market value of derivative financial instruments, net of tax	(2.5)	0.7
Accumulated other comprehensive loss	\$ (107.8)	\$ (57.1)

7. Stocks

Stocks consisted of the following at December 31:

<i>In millions</i>	December 31	
	2018	2017
Raw materials and supplies	\$ 63.1	\$ 64.3
Work-in-process	25.3	25.2
Finished goods	139.8	134.6
Total stocks	\$ 228.2	\$ 224.1

Aggregate reductions in the carrying value of stocks that were still on hand at December 31, 2018 and 2017, that were deemed to be excess, obsolete, slow-moving or in excess of market, were \$25.6 million and \$26.0 million, respectively.

8. Debt

Debt and the average interest rates on debt outstanding were as follows:

<i>In millions</i>	Average interest rate at December 31, 2018	Maturity year	December 31	
			2018	2017
Senior notes - fixed rate ⁽¹⁾	3.950%	2023	300.0	—
Senior notes - fixed rate ⁽¹⁾	4.550%	2028	500.0	—
Term loan facility	3.795%	2023	147.5	—
Unamortized issuance costs and discounts	N/A	N/A	(5.8)	—
Total debt			941.7	—
Less: Current maturities and short-term borrowings			(12.5)	—
Long-term debt			\$ 929.2	\$ —

⁽¹⁾ Senior notes are fully and unconditionally guaranteed as to payment by nVent Electric plc ("Parent Company Guarantor")

Senior Notes

In March 2018, nVent Finance S.à r.l. ("nVent Finance" or "Subsidiary Issuer"), a 100-percent owned subsidiary of nVent, issued \$300.0 million aggregate principal amount of 3.950% senior notes due 2023 (the "2023 Notes") and \$500.0 million aggregate principal amount of 4.550% senior notes due 2028 (the "2028 Notes" and, collectively with the 2023 Notes, the "Notes"). Interest on the Notes is payable semi-annually in arrears on April 15 and October 15 of each year, beginning October 15, 2018. In August 2018, nVent and nVent Finance filed a Registration Statement on Form S-4 with the Securities and Exchange Commission to exchange the Notes for new, registered Notes. The exchange offer was completed on October 22, 2018, pursuant to which substantially all of the Notes were exchanged for the new, registered Notes. The exchange offer did not impact the aggregate principal amount of the Notes outstanding or any material terms.

The Notes are fully and unconditionally guaranteed as to payment by the Parent Company Guarantor. There are no subsidiaries that guarantee the Notes. The Parent Company Guarantor has no independent assets or operations unrelated to its investments in its consolidated subsidiaries. The Parent Company Guarantor's only direct subsidiary is the Subsidiary Issuer. The Subsidiary Issuer has no independent assets or operations unrelated to its investments in its consolidated subsidiaries and the issuance of the Notes and other external debt.

The Notes constitute general unsecured senior obligations of the Subsidiary Issuer and rank equally in right of payment with all existing and future unsubordinated and unsecured indebtedness and liabilities of the Subsidiary Issuer. The guarantees of the Notes by the Parent Company Guarantor constitute general unsecured obligations of the Parent Company Guarantor and rank equally in right of payment with all existing and future unsubordinated and unsecured indebtedness and liabilities of the Subsidiary Issuer. Subject to certain qualifications and exceptions, the indenture pursuant to which the Notes were issued contains covenants that, among other things, restrict nVent's, nVent Finance's and certain subsidiaries' ability to merge or consolidate with another person, create liens or engage in sale and lease-back transactions.

There are no significant restrictions on the ability of nVent to obtain funds from its subsidiaries by dividend or loan. None of the assets of nVent or its subsidiaries represents restricted net assets pursuant to the guidelines established by the SEC.

Senior credit facilities

In March 2018, nVent Finance entered into a credit agreement with a syndicate of banks providing for a five-year \$200.0 million senior unsecured term loan facility (the "Term Loan Facility") and a P5Y-year \$600.0 million senior unsecured revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Senior Credit Facilities"). We have the option to request to increase the Revolving Credit Facility in an aggregate amount of up to \$300.0 million, subject to customary conditions, including the commitment of the participating lenders. There were 0 outstanding borrowings under the Revolving Credit Facility as of December 31, 2018. We repaid \$52.5 million of outstanding principal on the Term Loan Facility during 2018.

Our debt agreements contain certain financial covenants, the most restrictive of which are in the Senior Credit Facilities, including that we may not permit (i) the ratio of our consolidated debt (net of our consolidated unrestricted cash in excess of \$5.0 million but not to exceed \$250.0 million) to our consolidated net income (excluding, among other things, non-cash gains and losses) before interest, taxes, depreciation, amortization and non-cash share-based compensation expense ("EBITDA") on the last day of any period of four consecutive financial quarters to exceed 3.75 to 1.00 and (ii) the ratio of our EBITDA to our consolidated interest expense for the same period to be less than 3.00 to 1.00. In addition, subject to certain qualifications and exceptions, the Senior Credit Facilities also contain covenants that, among other things, restrict our ability to create liens, merge or consolidate with another person, make acquisitions and incur subsidiary debt. As of December 31, 2018, we were in compliance with all financial covenants in our debt agreements.

Debt outstanding, excluding unamortized issuance costs and discounts, at December 31, 2018 matures on a calendar year basis as follows:

<i>In millions</i>	2019	2020	2021	2022	2023	Thereafter	Total
Contractual debt obligation maturities	\$ 12.5	\$ 17.5	\$ 20.0	\$ 20.0	\$ 377.5	\$ 500.0	\$ 947.5

9. Derivatives and Financial Instruments

Derivative financial instruments

We conduct business in various locations throughout the world and are subject to market risk due to changes in the value of foreign currencies in relation to our reporting currency, the U.S. dollar. We manage our economic and transaction exposure to certain market-based risks through the use of foreign currency derivative financial instruments. Our objective in holding these derivatives is to reduce the volatility of net earnings and cash flows associated with changes in foreign currency exchange rates. The majority of our foreign currency contracts have an original maturity date of less than one year. The derivative contracts contain credit risk to the extent that our bank counterparties may be unable to meet the terms of the agreements. The amount of such credit risk is generally limited to the unrealized gains, if any, in such contracts. Such risk is minimized by limiting those counterparties to major financial institutions of high credit quality.

Foreign currency contracts

At December 31, 2018 and 2017, we had outstanding foreign currency derivative contracts with gross notional U.S. dollar equivalent amounts of \$129.0 million and \$10.7 million, respectively. The impact of these contracts on the Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit was not material for any period presented.

Gains or losses on foreign currency contracts designated as hedges are reclassified out of AOCI and into *Selling, general and administrative* in the Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit when the hedged item affects earnings. Such reclassifications during 2018 and 2017 were not material. As of December 31, 2018, the deferred foreign currency activity in AOCI associated with the net investment hedge was not material.

Net investment hedge

We have net investments in foreign subsidiaries that are subject to changes in the foreign currency exchange rate. In October 2018, we designated a cross-currency swap with a gross notional U.S. dollar equivalent amount of \$69.1 million as a net investment hedge for a portion of our net investment in our Euro denominated subsidiaries. Gains or losses resulting from the change in fair value of the net investment hedge will be included as a component of the cumulative translation adjustment account within AOCI and offset gains and losses on the underlying foreign currency exposures.

Fair value of financial instruments

The following methods were used to estimate the fair values of each class of financial instrument:

- short-term financial instruments (cash and cash equivalents, accounts and notes receivable, accounts and notes payable and variable-rate debt) — recorded amount approximates fair value because of the short maturity period;
- long-term fixed-rate debt, including current maturities — fair value is based on market quotes available for issuance of debt with similar terms, which are inputs that are classified as Level 2 in the valuation hierarchy defined by the accounting guidance;
- foreign currency contract agreements — fair values are determined through the use of models that consider various assumptions, including time value, yield curves, as well as other relevant economic measures, which are observable inputs that are classified as Level 2 in the valuation hierarchy defined by the accounting guidance; and
- deferred compensation plan assets (mutual funds, common/collective trusts and cash equivalents for payment of certain non-qualified benefits for retired, terminated and active employees) — fair value of mutual funds and cash equivalents are based on quoted market prices in active markets that are classified as Level 1 in the valuation hierarchy defined by the accounting guidance; fair value of common/collective trusts are based on observable inputs that are classified as Level 2 in the valuation hierarchy defined by the accounting guidance.

The recorded amounts and estimated fair values of total debt, excluding unamortized issuance costs and discounts, at December 31 were as follows:

<i>In millions</i>	2018		2017	
	Recorded Amount	Fair Value	Recorded Amount	Fair Value
Variable rate debt	\$ 147.5	\$ 147.5	\$ —	\$ —
Fixed rate debt	800.0	793.5	—	—
Total debt	\$ 947.5	\$ 941.0	\$ —	\$ —

Financial assets and liabilities measured at fair value on a recurring and nonrecurring basis were as follows:

Recurring fair value measurements		December 31, 2018			
<i>In millions</i>		Level 1	Level 2	Level 3	Total
Foreign currency contract liabilities	\$	—	\$ (2.6)	\$ —	\$ (2.6)
Deferred compensation plan assets (note 20)		19.1	4.0	—	23.1
Total recurring fair value measurements	\$	19.1	\$ 1.4	\$ —	\$ 20.5

Recurring fair value measurements		December 31, 2017			
<i>In millions</i>		Level 1	Level 2	Level 3	Total
Foreign currency contract assets	\$	—	\$ 0.7	\$ —	\$ 0.7
Deferred compensation plan assets (note 20)		22.9	2.2	—	25.1
Total recurring fair value measurements	\$	22.9	\$ 2.9	\$ —	\$ 25.8

Nonrecurring fair value measurements ⁽¹⁾

- (1) During the fourth quarter of 2017, we completed our annual intangible assets impairment review. As a result, we recorded a pre-tax non-cash impairment charge of \$16.4 million. The impairment charge reduced the total carrying value of the impacted trade name intangibles to \$16.2 million. The fair value of trade names is measured using the relief-from-royalty method. This method assumes the trade name has value to the extent that the owner is relieved of

the obligation to pay royalties for the benefits received from them. This method requires us to estimate the future revenue for the related brands, the appropriate royalty rate and the weighted average cost of capital.

10. Taxation

Profit before taxation consisted of the following:

<i>In millions</i>	Financial years ended December 31	
	2018	2017
Federal ⁽¹⁾	\$ (20.4)	\$ (19.9)
International ⁽²⁾	289.1	333.2
Profit before taxation	\$ 268.7	\$ 313.3

(1) "Federal" reflects United Kingdom ("U.K.") income before income taxes.

(2) "International" reflects non-U.K. income before income taxes.

Taxation consisted of the following:

<i>In millions</i>	Financial years ended December 31	
	2018	2017
Current		
Federal ⁽¹⁾	\$ —	\$ 1.0
International ⁽²⁾	47.0	94.5
Total current taxation	47.0	95.5
Deferred		
Federal ⁽¹⁾	—	—
International ⁽²⁾	(9.1)	(143.9)
Total deferred taxation	(9.1)	(143.9)
Total taxation	\$ 37.9	\$ (48.4)

(1) "Federal" represents U.K. taxes.

(2) "International" represents non-U.K. taxes.

Reconciliations of the federal taxation at the statutory rate to the Group's effective tax rate on ordinary activities were as follows:

<i>Percentages</i>	Financial years ended December 31	
	2018	2017
Federal statutory income tax rate (1)	19.0	19.3
Tax effect of international operations (2)	(5.8)	(5.9)
Change in valuation allowances	0.9	(2.2)
Non-deductible transaction costs	—	0.5
Excess tax benefits on stock-based compensation	—	(0.1)
Tax effect of U.S. tax reform	—	(27.0)
Effective tax rate	14.1	(15.4)

(1) The statutory rate for 2018 and 2017 reflects the U.K. statutory rate of 19.0% and 19.3%, respectively.

(2) The tax effect of international operations consists of non-U.K. jurisdictions.

Reconciliations of the Group's beginning and ending gross unrecognized tax benefits were as follows:

<i>In millions</i>	Financial years ended December 31	
	2018	2017
Beginning balance	\$ 24.6	\$ 26.6
Gross increases for tax positions in prior periods	2.3	1.2
Gross decreases for tax positions in prior periods	(1.6)	(2.2)
Gross increases based on tax positions related to the current year	1.2	1.3
Gross decreases related to settlements with taxing authorities	(8.0)	(2.3)
Reductions due to statute expiration	(1.9)	(1.3)
Gross increases due to currency fluctuations	0.2	1.3
Ending balance	\$ 16.8	\$ 24.6

We record gross unrecognized tax benefits in *Creditors (amounts falling due within one year)* and *Creditors (amounts falling due after more than one year)* in the Consolidated and Combined Balance Sheets. Included in the \$16.8 million of total gross unrecognized tax benefits as of December 31, 2018 was \$15.5 million of tax benefits that, if recognized, would impact the effective tax rate. It is reasonably possible that the gross unrecognized tax benefits as of December 31, 2018 may decrease by a range of zero to \$4.9 million during 2019, primarily as a result of the resolution of non-U.K. examinations, including U.S. federal and state examinations, and the expiration of various statutes of limitations. Liabilities for unrecognized tax benefits are recorded in *Creditors (amounts falling due after more than one year)* in the Consolidated and Combined Balance Sheets.

The \$8.0 million gross decrease during 2018 for settlements with taxing authorities is related primarily to resolution of non-US audits. This amount includes \$3.1 million that had a favorable impact on our effective tax rate.

Based on the outcome of these examinations, or as a result of the expiration of statute of limitations for specific jurisdictions, it is reasonably possible that certain unrecognized tax benefits for tax positions taken on previously filed tax returns will materially change from those recorded as liabilities in our financial statements. A number of tax periods from 2008 to present are under audit by tax authorities in various jurisdictions, including Canada, China and Germany. We anticipate that several of these audits may be concluded in the foreseeable future.

We record penalties and interest related to unrecognized tax benefits in *Taxation* and *Interest payable and similar charges*, respectively, in the Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit. As of December 31, 2018 and 2017, we have liabilities of \$1.7 million and \$2.0 million, respectively, for the possible payment of penalties and \$2.7 million and \$6.6 million, respectively, for the possible payment of interest expense, which are recorded in *Creditors (amounts falling due within one year)* in the Consolidated and Combined Balance Sheets.

No additional income taxes have been provided for any undistributed foreign earnings or outside basis difference inherent in subsidiaries as these amounts continue to be indefinitely reinvested in foreign operations.

Deferred taxation arises because of different treatment between financial statement accounting and tax accounting, known as "temporary differences." We record the tax effect of these temporary differences as "deferred tax assets" (generally items that can be used as a tax deduction or credit in future periods) and "deferred tax liabilities" (generally items for which we received a tax deduction but the tax impact has not yet been recorded in the Consolidated and Combined Profit and Loss Account and Statement of Comprehensive Profit).

Deferred taxation was recorded in the Consolidated and Combined Balance Sheets as follows:

<i>In millions</i>	December 31	
	2018	2017
Debtors: Deferred taxation (amounts falling due after more than one year) (Note 21)	\$ 4.6	\$ 18.6
Provisions for liabilities (note 22)	224.8	279.4
Net deferred taxation	\$ 220.2	\$ 260.8

The tax effects of the major items recorded as deferred tax assets and liabilities were as follows:

<i>In millions</i>	December 31	
	2018	2017
Deferred tax assets		
Accrued liabilities and reserves	\$ 10.6	\$ 10.3
Pension and other post-retirement compensation and benefits	26.8	17.5
Employee compensation and benefits	12.8	14.8
Tax loss and credit carryforwards	143.0	148.5
Interest limitation	7.7	—
Total deferred tax assets	200.9	191.1
Valuation allowance	137.8	143.5
Deferred tax assets, net of valuation allowance	63.1	47.6
Deferred tax liabilities		
Tangible assets	15.3	12.3
Goodwill and other intangibles	260.4	290.2
Other liabilities	7.6	5.9
Total deferred tax liabilities	283.3	308.4
Net deferred taxation	\$ 220.2	\$ 260.8

Included in tax loss and credit carryforwards in the table above is a deferred tax asset of \$3.1 million as of December 31, 2018 (2017: \$11.3 million) related to foreign tax credit carryover from the tax period ended December 31, 2017 and related to transition taxes. The entire amount is subject to a valuation allowance. The foreign tax credit is eligible for carryforward until the tax period ending December 31, 2027.

As of December 31, 2018, tax loss carryforwards of \$445.1 million were available to offset future income. A valuation allowance of \$131.0 million exists for deferred income tax benefits related to the tax loss carryforwards which may not be realized. We believe sufficient taxable income will be generated in the respective jurisdictions to allow us to fully recover the remainder of the tax losses. The tax losses relate to non-U.S. carryforwards which are subject to varying expiration periods. Non-U.S. carryforwards of \$405.9 million are located in jurisdictions with unlimited tax loss carryforward periods, while the remainder will begin to expire in 2019.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017.

Given the significance of the Act, Staff Accounting Bulletin No. 118 (“SAB 118”) was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. SAB 118 allows registrants to record provisional amounts during a one year “measurement period.” The measurement period is deemed to have ended earlier when the registrant has obtained, prepared, and analyzed the information necessary to finalize its accounting. During the measurement period, impacts of the law are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared, or analyzed.

The Company calculated its best estimate of the impact of the Act in its December 31, 2017 income tax provision in accordance with its understanding of the Act and guidance available as of the date of the filing of the Registration Statement Form 10 (as amended, the "Form 10") and as a result recorded a provisional income tax benefit of \$84.8 million in the fourth quarter of 2017, the period in which the legislation was enacted. The provisional amount related to the remeasurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future was a decrease to income tax expense of \$122.0 million. We have completed our analysis of the remeasurement of deferred taxes for state tax impacts of the remeasurement, the impact of the Act on the taxation of executive compensation arrangements, changes to tax capitalization provisions and other aspects of the Act that may impact our tax balances. There were no adjustments to the provisional amount recorded at December 31, 2017 as a result of the completion of our analysis.

The amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings was an increase to income tax expense of \$32.9 million, which represents a decrease of \$4.3 million compared to the provisional amount recorded at December 31, 2017.

11. Benefit Plans

Pension and other post-retirement plans

We sponsor U.S. and non-U.S. defined-benefit pension and other post-retirement plans ("Direct Plans"). The defined benefit pension plans cover certain non-U.S. employees and retirees, and the pension benefits are based principally on an employee's years of service and/or compensation levels near retirement. In addition, we provide certain post-retirement health care and life insurance benefits. Generally, the post-retirement health care and life insurance plans require contributions from retirees.

For periods prior to the separation, certain nVent employees participated in defined benefit pension plans and post-retirement health plans sponsored by the former Parent, which also include the Parent participants. For purposes of these consolidated and combined financial statements, nVent accounts for these plans as multi-employer benefit plans. For periods prior to the separation, the Company does record expense attributable to its employees who participate in these plans, as well as expense allocated for Pentair's corporate and shared functional employees. The total expense was \$2.7 million and \$11.1 million for the years ended December 31, 2018 and 2017, respectively.

The following information is applicable to only Direct Plans.

Obligations and funded status

The following tables present reconciliations of plan benefit obligations, fair value of plan assets and the funded status of pension plans and other post-retirement plans as of and for the years ended December 31, 2018 and 2017:

<i>In millions</i>	Pension plans		Post-retirement health plan	
	2018	2017	2018	2017
Change in benefit obligations				
Benefit obligation beginning of year	\$ 195.3	\$ 173.8	\$ 18.2	\$ 17.9
Service cost	5.8	6.3	0.1	0.1
Interest cost	4.2	4.0	0.6	0.7
Benefit obligations from new plans	1.6	—	—	—
Actuarial loss (gain)	5.0	(7.1)	(2.0)	0.3
Foreign currency translation	(8.0)	23.1	—	—
Benefits paid	(4.4)	(4.8)	(0.7)	(0.8)
Benefit obligation end of year	\$ 199.5	\$ 195.3	\$ 16.2	\$ 18.2
Change in plan assets				
Fair value of plan assets beginning of year	\$ 42.2	\$ 35.7	\$ —	\$ —
Actual return on plan assets	(0.6)	2.1	—	—
Assets from new plans	0.7	—	—	—
Company contributions	6.1	5.9	0.6	0.8
Foreign currency translation	(2.2)	3.3	—	—
Benefits paid	(4.4)	(4.8)	(0.6)	(0.8)
Fair value of plan assets end of year	\$ 41.8	\$ 42.2	\$ —	\$ —
Funded status				
Fair value of plan assets end of year	41.8	42.2	—	—
Benefit obligation end of year	199.5	195.3	16.2	18.2
Benefit obligations in excess of the fair value of plan assets	\$ (157.7)	\$ (153.1)	\$ (16.2)	\$ (18.2)

Benefit obligations in excess of the fair value of plan assets recognized on the Consolidated and Combined Balance Sheets for the Group's defined benefit plans were as follows:

<i>In millions</i>	Pension plans		Post-retirement health plan	
	2018	2017	2018	2017
Amount to be received after one year	\$ 1.0	\$ 3.8	\$ —	\$ —
Amount to be settled within one year	(3.8)	(3.5)	(1.2)	(1.2)
Amount to be settled after one year	(154.9)	(153.4)	(15.0)	(17.0)
Benefit obligations in excess of the fair value of plan assets	\$ (157.7)	\$ (153.1)	\$ (16.2)	\$ (18.2)

The accumulated benefit obligation for all defined benefit plans was \$191.2 million and \$185.3 million at December 31, 2018 and 2017, respectively.

Information for pension plans with an accumulated benefit obligation or projected benefit obligation in excess of plan assets as of December 31 was as follows:

<i>In millions</i>	Projected benefit obligation exceeds the fair value of plan assets		Accumulated benefit obligation exceeds the fair value of plan assets	
	2018	2017	2018	2017
Projected benefit obligation	\$ 188.7	\$ 170.5	\$ 185.8	\$ 168.1
Fair value of plan assets	30.0	13.6	27.4	11.4
Accumulated benefit obligation	N/A	N/A	177.8	158.3

Components of net periodic benefit expense for our pension plans for the years ended December 31 were as follows:

<i>In millions</i>	Pension plans	
	2018	2017
Service cost	\$ 5.8	\$ 6.3
Interest cost	4.2	4.0
Expected return on plan assets	(1.4)	(1.4)
Net actuarial loss (gain)	7.5	(6.8)
Net periodic benefit expense	\$ 16.1	\$ 2.1

Components of net periodic benefit expense for our post-retirement health plan for the years ended December 31, 2018 and 2017, were not material.

Assumptions

Weighted-average assumptions used to determine benefit obligations as of December 31 were as follows:

<i>Percentages</i>	Pension plans		Post-retirement health plan	
	2018	2017	2018	2017
Discount rate	2.25%	2.25%	4.10%	3.40%
Rate of compensation increase	2.97%	2.98%	—	—

Weighted-average assumptions used to determine net periodic benefit expense for years ended December 31 were as follows:

<i>Percentages</i>	Pension plans		Post-retirement health plan	
	2018	2017	2018	2017
Discount rate	2.25%	2.06%	3.40%	3.80%
Expected long-term return on plan assets	3.45%	3.38%	—	—
Rate of compensation increase	2.98%	2.97%	—	—

Uncertainty in the securities markets and U.S. economy could result in investment returns less than those assumed. Should the securities markets decline or medical and prescription drug costs increase at a rate greater than assumed, we would expect increasing annual combined net pension and other post-retirement costs for the next several years. Should actual experience differ from actuarial assumptions, the projected pension benefit obligation and net pension cost and accumulated other post-retirement benefit obligation and other post-retirement benefit cost would be affected in future years.

Discount rates

The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year based on our December 31 measurement date. The discount rates on our pension plans ranged from 0.50% to 4.25% and 0.50% to 3.50% in 2018 and 2017, respectively. There are no known or anticipated changes in our discount rate assumptions that will impact our pension expense in 2019.

Expected rates of return

The expected rates of return on our pension plan assets ranged from 1.00% to 5.50% and 1.00% to 5.50% in 2018 and 2017, respectively. The expected rate of return is designed to be a long-term assumption that may be subject to considerable year-to-year variance from actual returns. In developing the expected long-term rate of return, we considered our historical returns, with consideration given to forecasted economic conditions, our asset allocations, input from external consultants and broader longer-term market indices. Any difference in the expected rate and actual returns will be included with the actuarial gain or loss recorded in the fourth quarter when our plans are remeasured.

Pension plans assets

Objective

The primary objective of our investment strategy is to meet the pension obligation to our employees at a reasonable cost to us. This is primarily accomplished through growth of capital and safety of the funds invested.

Asset allocation

The majority of our pension plan assets are invested in fixed income and equity securities which is consistent with our investment policy goals. Actual investments for our pension plans as of December 31 were as follows:

<i>Percentages</i>	Actual	
	2018	2017
Equity Securities	23%	27%
Fixed income	65%	64%
Alternative	8%	5%
Cash	4%	4%

Fair value measurement

The fair values of our pension plan assets, each of which is level 2 in the fair value hierarchy, as of December 31 were as follows:

<i>In millions</i>	2018	2017
Cash and cash equivalents	\$ 1.5	\$ 1.7
Fixed income:		
Corporate and non U.S. government	27.1	26.9
Global equity securities:		
Small cap equity	1.0	1.2
International equity	8.7	10.2
Other investments	3.5	2.2
Total fair value of plan assets	\$ 41.8	\$ 42.2

Valuation methodologies used for investments measured at fair value were as follows:

- **Cash and cash equivalents:** Cash equivalents consist of investments in commingled funds valued based on observable market data.
- **Fixed income:** Investments in corporate bonds, government securities, mortgages and asset backed securities were valued based upon quoted market prices for similar securities and other observable market data. Investments in commingled funds were generally valued at the net asset value of units held at the end of the period based upon the value of the underlying investments as determined by quoted market prices or by a pricing service.
- **Global equity securities:** Investments in commingled funds were valued at the net asset value of units held at the end of the period based upon the value of the underlying investments as determined by quoted market prices or by a pricing service.
- **Other investments:** Other investments include investments in commingled funds with diversified investment strategies. Investments in commingled funds were valued at the net asset value of units held at the end of the period based upon the value of the underlying investments as determined by quoted market prices or by a pricing service.

Cash flows of Direct Plans

Contributions

Pension contributions totaled \$6.1 million and \$5.9 million in 2018 and 2017, respectively. The 2019 expected contributions will equal or exceed our minimum funding requirements of \$7.0 million.

Estimated future benefit payments

The following benefit payments, which reflect expected future service or payout from termination, as appropriate, are expected to be paid by the plans for the years ended December 31 as follows:

<i>In millions</i>	Pension plans	Post-retirement health plan
2019	\$ 4.7	\$ 1.2
2020	4.5	1.2
2021	4.9	1.2
2022	5.2	1.2
2023	7.8	1.2
Thereafter	35.9	5.4

Savings plan

During 2018 and 2017, certain U.S. nVent employees were eligible to participate in a 401(k) plan (the "401(k) plan") with an employee share ownership ("ESOP") bonus component, sponsored by the former Parent. The 401(k) plan covers certain union and all non-union U.S. employees who met certain age requirements. Under the 401(k) plan, eligible U.S. employees could voluntarily contribute a percentage of their eligible compensation and we match contributions made by employees who met certain eligibility and service requirements.

During 2017, the matching contribution was 100% of eligible employee contributions for the first 1% of eligible compensation and 50% of the next 5% of eligible compensation. In addition to the matching contribution, all employees who met certain service requirements received a discretionary ESOP contribution equal to 1.5% of annual eligible compensation. During 2018, the matching contribution was on up to 5% of employee eligible earnings, contributed as before-tax contribution.

Eligible U.S. nVent employees participated in the Parent's 401(k) plan. Expense was 10.5 in 2018. The allocated expense for the Company was \$7.1 million in 2017.

Effective January 1, 2019, nVent established and is the plan sponsor of a 401(k) retirement plan (nVent Management Company Retirement Savings and Incentive Plan) and employee share ownership plan (nVent Electric plc Employee Stock Purchase and Bonus Plan). The eligibility criteria and benefits provided by the plans sponsored by nVent are consistent with the provisions of the plans sponsored by the former Parent.

12. Shareholders' Funds

Authorized share capital

On February 27 2018, the Company increased the authorized preferred share capital by 20.0 million preferred shares to 420.0 million \$0.01 preferred shares. Also on February 27 2018, the Company increased the authorized ordinary shares capital by 400.0 million \$0.01 ordinary shares. As at December 31 2018, the authorized share capital of the Company is 400.0 million ordinary shares of \$0.01 par value and 25,000 deferred shares of €1 par value. All issued share capital has been called up and fully paid.

Share Issuances

On February 27, 2018, the Company issued 2 \$0.01 ordinary shares at par. On April 30, 2018 as a result of the separation, the Company issued 178,415,318 ordinary shares.

Share repurchases

On July 23, 2018, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of \$500.0 million. The authorization expires on July 23, 2021. During the year ended December 31, 2018, we repurchased 2.4 million of our ordinary shares for \$59.0 million under the 2018 authorization, of which \$3.0 million had not been paid for as of December 31, 2018. As of December 31, 2018, we had \$441.0 million remaining availability for repurchases under the 2018 authorization. All 2.4 million shares were subsequently canceled. Further information is included in Note 5 to the parent company financial statements.

On February 19, 2019, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of \$380.0 million. This authorization is in addition to the authorization approved in July 2018 to repurchase up to \$500.0 million of our ordinary shares. The authorization expires on July 23, 2021.

Dividends

On December 11, 2018, the Board of Directors declared a quarterly cash dividend of \$31.0 million, or \$0.175 per ordinary share, that was paid on February 8, 2019 to shareholders of record at the close of business on January 25, 2019. The balance of dividends payable included in *Creditors (amounts falling due within one year)* on our Consolidated and Combined Balance Sheets was \$31.0 million at December 31, 2018. We paid dividends in 2018 of \$62.9 million, or \$0.35 per ordinary share. See Note 5 of the Company financial statements for shareholders' funds activity of the Company.

On February 19, 2019, the Board of Directors declared a quarterly cash dividend of \$0.175 per ordinary share payable on May 3, 2019 to shareholders of record at the close of business on April 18, 2019.

13. Segment Information

We classify our operations into the following business segments based primarily on types of products offered and markets served:

- **Enclosures** — The Enclosures segment provides inventive solutions that protect, connect, and manage heat in critical electronics, communication, control, and power equipment. From metallic and non-metallic enclosures to cabinets, subracks, and backplanes, it offers the physical infrastructure to host, connect, and protect server and network equipment, as well as indoor and outdoor protection for broadband voice, data, and video surveillance applications in industrial, infrastructure, commercial, and energy verticals.
- **Thermal Management** — The Thermal Management segment provides electric thermal solutions that connect and protect critical buildings, infrastructure, industrial processes, and people. Its thermal management systems include heat tracing, floor heating, fire-rated and specialty wiring, sensing, and snow melting and de-icing solutions for use in industrial, energy, commercial & residential and infrastructure verticals. Its highly reliable and easy to install solutions lower total cost of ownership to building owners, facility managers, operators, and end users.
- **Electrical & Fastening Solutions** — The Electrical & Fastening Solutions segment provides fastening solutions that connect and protect electrical and mechanical systems and civil structures. Its engineered electrical and fastening products are used across a wide range of verticals, including commercial, industrial, infrastructure, and energy.
- **Other** — Other is primarily composed of unallocated corporate expenses, our captive insurance subsidiary and intermediate finance companies.

The accounting policies of our reporting segments are the same as those described in the summary of significant accounting policies. We evaluate performance based on the net sales and segment income (loss) and use a variety of ratios to measure performance of our reporting segments. These results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented. Segment income (loss) represents operating income exclusive of intangible amortization, separation costs, net interest expense, costs of restructuring activities, "mark-to-market" gain/loss for pension and other post-retirement plans, impairments and other unusual non-operating items.

Financial information by reportable segment is included in the following summary:

<i>In millions</i>	2018		2017	
	Turnover		Segment income (loss)	
Enclosures	\$ 1,019.7	\$ 934.9	\$ 174.8	\$ 164.6
Thermal Management	623.2	622.2	154.2	147.3
Electrical & Fastening Solutions	570.7	540.8	144.5	140.7
Other	—	—	(49.1)	(29.6)
Consolidated	\$ 2,213.6	\$ 2,097.9	\$ 424.4	\$ 423.0

	2018	2017	2018	2017
<i>In millions</i>	Identifiable assets		Depreciation	
Enclosures	\$ 665.9	\$ 672.3	\$ 15.9	\$ 16.0
Thermal Management	1,557.1	1,800.9	8.6	8.7
Electrical & Fastening Solutions	2,157.7	2,189.0	10.1	9.6
Other	172.0	62.8	1.6	2.2
Consolidated	\$ 4,552.7	\$ 4,725.0	\$ 36.2	\$ 36.5

	2018	2017
<i>In millions</i>	Capital expenditures	
Enclosures	\$ 13.3	\$ 21.7
Thermal Management	5.1	4.9
Electrical & Fastening Solutions	7.9	5.2
Other	13.2	—
Consolidated	\$ 39.5	\$ 31.8

The following table presents a reconciliation of consolidated and combined segment income to profit before taxation:

<i>In millions</i>	2018	2017
Segment income	\$ 424.4	\$ 423.0
Restructuring and other	(7.7)	(13.0)
Intangible amortization	(60.9)	(61.4)
Pension and other post-retirement mark-to-market (loss) gain	(7.0)	3.0
Trade name and other impairment	—	(16.4)
Separation costs	(45.0)	(16.1)
Interest expense, net	(31.2)	(0.2)
Other Expense	(3.9)	(5.6)
Income before income taxes	\$ 268.7	\$ 313.3

We offer a broad array of products and systems to multiple markets and customers for which we do not have the information systems to track turnover by primary product category. However, our turnover by segment are representative of our sales by major product category. We sell our products through various distribution channels including wholesale and retail distributors, original equipment manufacturers and home centers. No customer accounted for more than 10% of net sales in 2018 and 2017.

14. Commitments and Contingencies

Operating lease commitments

Net rental expense under operating leases was as follows:

	Financial years ended December 31	
<i>In millions</i>	2018	2017
Net rental expense	\$ 15.8	\$ 17.6

Future minimum lease commitments under non-cancelable operating leases, principally related to facilities, equipment and vehicles as of December 31, 2018 were as follows:

<i>In millions</i>	2019	2020	2021	2022	2023	Thereafter	Total
Net future minimum lease commitments	\$ 16.2	\$ 12.6	\$ 8.0	\$ 5.6	\$ 2.7	\$ 9.6	\$ 54.7

Other matters

We are subject to disputes, administrative proceedings and other claims arising out of the normal conduct of our business. These matters generally relate to disputes arising out of the use or installation of our products, product liability litigation, personal injury claims, commercial and contract disputes and employment related matters. On the basis of information currently available, management does not believe that existing proceedings and claims will have a material impact on our Consolidated and Combined Financial Statements. However, litigation is unpredictable, and we could incur judgments or enter into settlements for current or future claims that could adversely affect our financial statements.

Warranties and guarantees

In connection with the disposition of our businesses or product lines, we may agree to indemnify purchasers for various potential liabilities relating to the sold business, such as pre-closing tax, product liability, warranty, environmental, or other obligations. The subject matter, amounts and duration of any such indemnification obligations vary for each type of liability indemnified and may vary widely from transaction to transaction.

Generally, the maximum obligation under such indemnifications is not explicitly stated and as a result, the overall amount of these obligations cannot be reasonably estimated. Historically, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss in any of these matters, the loss would not have a material effect on our financial position, results of operations or cash flows.

We recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee.

We provide service and warranty policies on our products. Liability under service and warranty policies is based upon a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience warrant. Our liability for service and product warranties as of December 31, 2018 and 2017 was not material.

Stand-by letters of credit, bank guarantees and bonds

In disposing of assets or businesses, we often provide representations, warranties and indemnities to cover various risks including unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not have the ability to reasonably estimate the potential liability due to the inchoate and unknown nature of these potential liabilities. However, we have no reason to believe that these uncertainties would have a material adverse effect on our financial position, results of operations or cash flows.

In the ordinary course of business, we are required to commit to bonds, letters of credit and bank guarantees that require payments to our customers for any non-performance. The outstanding face value of these instruments fluctuates with the value of our projects in process and in our backlog. In addition, we issue financial stand-by letters of credit primarily to secure our performance to third parties under self-insurance programs.

As of December 31, 2018 and 2017, the outstanding value of bonds, letters of credit and bank guarantees totaled \$75.8 million and \$72.3 million, respectively.

Audit exemptions

For the year ended December 31, 2018, the UK incorporated subsidiaries of the Company listed below were entitled to exemption from audit under s479A of the Companies Act 2006 of the UK relating to UK incorporated subsidiary companies.

Company name	Company registration number
nVent International (UK) Ltd	09748745
nVent UK Holdings Limited	11027362
ERICO Europa (G.B.) Ltd	01053663
nVent Solutions (UK) Ltd	03710607
Optima Enclosures Limited	SC099841

The liabilities in respect of the undertakings listed above, which have arisen in respect of the financial year ended December 31, 2018 are already included within the Group's Consolidated and Combined Balance Sheets.

15. Net Interest Payable and Similar Expenses

Net interest payable and similar expenses for 2018 and 2017 were comprised of the following:

<i>In millions</i>	December 31	
	2018	2017
Loans and drafts from credit institutions	\$ 29.3	\$ —
Other	6.2	0.2
Interest income	(4.3)	—
Total net interest payable and similar expenses	\$ 31.2	\$ 0.2

16. Loss Attributable to nVent Electric plc

In accordance with Section 304(2) of the Companies Act 2014, the Company is availing of the exemption from presenting and filing its individual profit and loss account. nVent Electric plc's loss for the financial year ended December 31, 2018 as determined in accordance with FRS 102, the Financial Reporting Standard applicable in the U.K. and Republic of Ireland, was \$4.0 million and for the period from the date of incorporation (May 30, 2017) to 31 December 2017 was \$0 million.

17. Tangible Assets

Tangible assets at cost and accumulated depreciation consisted of the following at December 31:

<i>In millions</i>	December 31	
	2018	2017
Land and land improvements	\$ 39.1	\$ 39.1
Buildings and leasehold improvements	172.6	170.2
Machinery and equipment	410.8	402.0
Construction in progress	14.6	11.5
Total tangible assets	637.1	622.8
Accumulated depreciation and amortization	372.3	357.0
Total tangible assets, net	\$ 264.8	\$ 265.8

Depreciation expense was \$36.2 million and \$36.5 million in financial years 2018 and 2017, respectively.

Tangible assets activity for 2018 and 2017 were as follows:

<i>In millions</i>	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Construction in progress	Total Tangible Assets
Cost:					
December 31, 2016	\$ 37.6	\$ 162.8	\$ 375.6	\$ 31.0	\$ 607.0
Additions	0.1	13.2	39.2	(20.8)	31.7
Disposals	(0.2)	(14.1)	(26.8)	—	(41.1)
Acquisitions	—	—	—	—	—
Transfers / Other	—	—	1.3	0.1	1.4
Currency translation	1.6	8.3	12.7	1.2	23.8
December 31, 2017	\$ 39.1	\$ 170.2	\$ 402.0	\$ 11.5	\$ 622.8
Additions	0.3	6.9	28.8	4.0	40.0
Disposals	(0.2)	(1.3)	(14.0)	—	(15.5)
Acquisitions	—	—	0.1	—	0.1
Transfers / Other	0.4	—	(0.2)	(0.9)	(0.7)
Currency translation	(0.5)	(3.2)	(5.9)	—	(9.6)
December 31, 2018	\$ 39.1	\$ 172.6	\$ 410.8	\$ 14.6	\$ 637.1

Tangible asset accumulated depreciation activity for financial year 2018 was as follows:

<i>In millions</i>	December 31, 2017	Depreciation expense	Disposals	Other	Currency translation	December 31, 2018
Accumulated depreciation	\$ 357.0	36.2	(13.8)	(1.2)	(5.9)	\$ 372.3

18. Creditors (amounts falling due within one year)

Creditors (amounts falling due within one year) consisted of the following at December 31:

<i>In millions</i>	December 31	
	2018	2017
Current maturities of long-term debt and short-term borrowings (note 8)	\$ 12.5	\$ —
Trade creditors	186.4	174.1
Employee compensation and benefits	75.8	75.5
Dividends payable	31.0	—
Contract liabilities	13.2	14.3
Accrued professional fees	18.3	11.8
Accrued rebates	46.1	42.9
Accrued taxes payable	27.4	41.8
Interest payable	7.7	—
Other creditors	39.5	25.4
Total creditors falling due within one year	\$ 457.9	\$ 385.8

19. Creditors (amounts falling due after more than one year)

Creditors (amounts falling due after more than one year) consisted of the following at December 31:

<i>In millions</i>	December 31	
	2018	2017
Long-term debt (note 8)	\$ 929.2	\$ —
Deferred compensation plan liabilities	23.1	25.1
Income taxes payable	41.9	57.6
Other creditors falling due after one year	7.0	4.0
Total creditors falling due after one year	\$ 1,001.2	\$ 86.7

20. Financial Assets

The Group's financial assets consisted of the following at December 31:

<i>In millions</i>	December 31	
	2018	2017
Assets held by Rabbi Trust	\$ 23.1	\$ 25.1
Total financial assets	\$ 23.1	\$ 25.1

21. Debtors

Debtors consisted of the following at December 31:

<i>In millions</i>	December 31	
	2018	2017
<i>Amounts falling due within one year</i>		
Trade debtors and notes receivable, net of allowances	\$ 340.9	\$ 349.3
Prepaid income taxes	9.1	31.3
Prepaid expenses	31.7	29.3
Contract assets	74.4	69.9
Other debtors	3.2	1.8
Total debtors falling due within one year	\$ 459.3	\$ 481.6
<i>Amounts falling due after more than one year</i>		
Prepaid income taxes	—	201.5
Deferred taxation (note 10)	4.6	18.6
Other debtors	6.1	6.6
Total debtors falling due after more than one year	10.7	226.7
Total debtors	\$ 470.0	\$ 708.3

22. Provisions for Liabilities

Provisions for liabilities consisted of the following at December 31:

<i>In millions</i>	December 31	
	2018	2017
Pension and other post-retirement compensation and benefits (note 11)	\$ 177.9	\$ 176.7
Deferred taxation (note 10)	224.8	279.4
Restructuring (note 4)	3.8	5.1
Total provisions for liabilities	\$ 406.5	\$ 461.2

23. Directors' Remuneration

Directors' remuneration is set forth in the tables below. Ms. Wozniak, the Company's Chairman and Chief Executive Officer, is not compensated for her services as director. Accordingly, the amounts below include compensation for Ms. Wozniak's services as Chief Executive Officer for the year ended December 31, 2018.

<i>In millions</i>	December 31	
	2018	
Aggregate emoluments paid to or received by directors in respect of qualifying service	\$	2.3
Money or value of other assets, including shares but excluding share options, paid to or receivable by the directors under long-term incentive schemes		3.3
Money or value of other assets, in relation to share options, paid to or receivable by the directors under long-term incentive schemes		0.7

<i>In millions, except number of directors</i>	December 31	
	2018	
	Number of directors	Amount
<i>Aggregate contributions paid, treated as paid or payable during the financial year to a retirement benefit scheme in respect of qualifying services of directors</i>		
Defined contribution schemes	1	\$ —
Defined benefit schemes	1	—

Amounts paid or payable to past directors of the Company or of its' subsidiary undertakings were as follows:

<i>In millions</i>	December 31	
	2018	
For retirement benefits in relation to services as director	\$	—
For other retirement benefits		—
Total for retirement benefits (paid or payable)	\$	—

24. Auditor's Remuneration

Auditor's remuneration for 2018 was as follows:

<i>In millions</i>	December 31	
	2018	
Audit of the group accounts	\$	0.2
Other assurance services		—
Tax advisory services		—
Other non-audit services		—
Total auditor's remuneration	\$	0.2

- (1) The Group incurred additional fees of \$5.5 million in 2018 payable to affiliates of Deloitte Ireland LLP. These additional amounts reflect fees for professional services rendered, including audit fees payable to Deloitte & Touche LLP in the U.S. for the audit of the Group's consolidated annual financial statements and the effectiveness of internal controls over financial reporting and reviews of the Group's quarterly consolidated and combined financial statements.

25. Employees

The monthly average number of persons, including executive directors, employed by the Group during the financial year was as follows:

	2018	2017
Manufacturing	6,427	6,370
Selling and marketing	1,290	1,330
Research and development	335	299
General and administrative	800	753
Total average employees	8,852	8,752

Total employee costs for 2018 and 2017 were expensed as follows:

<i>In millions</i>	December 31			
	2018		2017	
Wages and salaries	\$	639.4	\$	632.4
Social insurance costs		60.4		64.6
Restructuring costs		7.7		16.8
Other retirement benefit costs		11.7		12.3
Total employee costs	\$	711.5	\$	709.3

26. Subsidiary Undertakings

As of December 31, 2018, the Group had the following subsidiary undertakings:

Company name	Country	Percentage owned	Business purpose	Registered office address
Alberta Electronic Company Limited	Hong Kong	100%	Sales & Marketing	Suite 1106-8, 11/F, Tai Yau Building, No. 181 Johnston Road, Wanchai, Hong Kong
Alliance Integrated Systems, Inc.	United States	100%	Service Company	7433 Harwin Drive, Houston TX 77036, United States
Electronic Enclosures, LLC	United States	100%	Holding Company	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
Enclosures Inc.	United States	100%	Holding Company	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
ERICO B.V.	Netherlands	100%	Manufacturing	Jules Verneweg 75, 5015 BG, Tilburg, Netherlands
ERICO Canada Inc.	Canada	100%	Manufacturing	46 Ingram Drive, Toronto ON M6M 2L6, Canada
ERICO Chile Comerical e Industrial Ltda.	Chile	100%	Dormant	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
ERICO del Pacifico Comerical e Industrial Ltda.	Chile	100%	Dormant	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
ERICO do Brasil Comercio e Industria Ltda.	Brazil	100%	Dormant	Rua Dom Pedro Henrique de Orleans e Bragança, 276, São Paulo, Sao Paulo, 05117-000, Brazil
ERICO Europa (G.B.) Limited	United Kingdom	100%	Dormant	3 Rutherford Road, Stephenson Industrial Estate, Washington, Tyne, and Wear, NE37 3HX, United Kingdom
ERICO Europe B.V.	Netherlands	100%	Sales & Marketing	Jules Verneweg 75, 5015 BG, Tilburg, Netherlands
ERICO Europe Holding B.V.	Netherlands	100%	Manufacturing	Jules Verneweg 75, 5015 BG, Tilburg, Netherlands
ERICO France Sarl	France	100%	Manufacturing	rue Charles Dalliere, BP 31, 42161, Andrezieux-Bouthéon, France
ERICO Global Company	United States	100%	Holding Company	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
ERICO GmbH	Germany	100%	Sales & Marketing	Langenalber Strasse 96-100, 75334, Straubenhardt, Germany
ERICO International Corporation	United States	100%	Manufacturing	31700 Solon Road, Solon OH 44139, United States
ERICO Italia S.r.l.	Italy	100%	Sales & Marketing	16, via Lorenzo Valla, 20141, Milan, Italy
ERICO Lightning Technologies Pty. Limited	Australia	100%	Sales & Marketing	323 Parramatta Road, Auburn NSW 2144, Australia
ERICO Limited	Hong Kong	100%	Sales & Marketing	Unit 7-10, 28/F., Trendy Centre, 682-684 Castle Peak Road, Kowloon, Hong Kong
ERICO Limited - Singapore Branch	Singapore	100%	Sales & Marketing	141 Middle Road #05-06, GSM Building, Singapore, 188976, Singapore
ERICO Ltd.	China	100%	Sales & Marketing	Room 212, Building 1, No.3688 Jindu Road, Minhang District, Shanghai, China
ERICO Mexico, S.A. de C.V.	Mexico	100%	Sales & Marketing	Av. Melchor Ocampo Torre A, #193, Veronica Anzures, Miguel Hidalgo, Distrito Federal, 11330, Mexico

Company name	Country	Percentage owned	Business purpose	Registered office address
ERICO Poland SP. Z.o.o.	Poland	100%	Sales & Marketing	ul. Strefowa, 10, 58-200, Dzierżonów, Poland
ERICO Products Australia Pty. Limited	Australia	100%	Sales & Marketing	323 Parramatta Road, Auburn NSW 2144, Australia
ERICO US Holding LLC	United States	100%	Holding Company	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
EuronVent GmbH	Germany	100%	Holding Company	Langenalber Strasse 96-100, 75334, Straubenhardt, Germany
Greenspan Singapore Private Limited	Singapore	100%	Dormant	141 Middle Road #05-06, GSM Building, Singapore, 188976, Singapore
Hoffman Enclosures (Mex.), LLC	United States	100%	Holding Company	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
Hoffman Enclosures Inc.	United States	100%	Manufacturing	2100 Hoffman Way, Anoka MN 55303, United States
Hoffman Enclosures Inc. - Canada Branch	Canada	100%	Sales & Marketing	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
Hoffman Enclosures Mexico, S. de R.L. de C.V.	Mexico	100%	Sales & Marketing	Av. Industrial Falcón, Lotes 6 al 8 S/ N, Parque Industrial del Norte, CP, Reynosa, Tamaulipas, 88730, Mexico
Hoffman Schroff Asia Pte Ltd	Singapore	100%	Holding Company	141 Middle Road #05-06, GSM Building, Singapore, 188976, Singapore
Hoffman Schroff de Mexico	Luxembourg	100%	Holding Company	Regus Business Center, 26, Boulevard Royal, Grand-Duchy of Luxembourg, L-2449, Luxembourg
Hoffman Schroff Holdings Inc.	United States	100%	Holding Company	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
Hoffman Schroff Luxembourg S.a.r.l.	Luxembourg	100%	Manufacturing	Regus Business Center, 26, Boulevard Royal, Grand-Duchy of Luxembourg, L-2449, Luxembourg
Hoffman Schroff Manufacturing S. de R.L. de C.V.	Mexico	100%	Manufacturing	Av. Industrial Falcón, Lotes 6 al 8 S/ N, Parque Industrial del Norte, CP, Reynosa, Tamaulipas, 88730, Mexico
Hoffman Schroff Poland Sp.z.o.o.	Poland	100%	Manufacturing	Ul. Strefowa 10, Dzierżonów 58-200, Poland
Hoffman Schroff Pte Ltd	Singapore	100%	Sales & Marketing	141 Middle Road #05-06, GSM Building, Singapore, 188976, Singapore
Hoffman Schroff PTE Ltd - Indonesia Representative Office	Indonesia	100%	Sales & Marketing	Wisma Metropolitan I, Level 3A, Jl. Jendral Sudirman Kav. 29-31, South Jakarta, 12920, Indonesia
Hoffman Schroff Sales S. de R.L. de C.V.	Mexico	100%	Dormant	Manuel Escandon, 106 Altos, Modulo 2000, Reynosa Tamaulipas, C.P. 88600, Mexico
Hoffman Service Co.	United States	100%	Service Company	P.O. Box 127, Anoka MN 55303, United States
Limited Liability Company nVent Rus	Russian Federation	100%	Sales & Marketing	"Country Park" Business Centre, Panfilova str., estate 19, bld. 1, Khimki, 141407, Moscow Region, Russian Federation
Lionel Acquisition Co.	United States	100%	Holding Company	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
nVent Armaturen holding GmbH	Germany	100%	Holding Company	Langenalber Strasse 96-100, 75334, Straubenhardt, Germany

Company name	Country	Percentage owned	Business purpose	Registered office address
nVent do Brasil Eletrometalurgica Ltda.	Brazil	100%	Sales & Marketing	Rua Joao Marcon 165, Centro-Boituva, Sao Paulo, 18555-000, Brazil
nVent Electric plc	Ireland	100%	Holding Company	10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland
nVent Electrical Products (Shanghai) Co., Ltd.	China	100%	Sales & Marketing	No.33 Guangshun Road, Changning District, Shanghai, China
nVent Electrical Products China Co., Ltd.	China	100%	Manufacturing	Airport Industrial Zone - ShuangYuan Road South, Chengyang District, Qingdao, PC 266108, China
nVent Electrical Products China Co., Ltd. - Shanghai Branch	China	100%	Sales & Marketing	1901, Innovation Building, No. 1009 Yishan Road, Shanghai, China
nVent Electrical Products China Co., Ltd. - Xi'an Branch	China	100%	Sales & Marketing	1307, Jinhui International Building,, No. 222 Tangyn Road, Xi'an, China
nVent Finance Group GmbH	Switzerland	100%	Financing Company	Muhlenstrasse 26, 8200, Schaffhausen, Switzerland
nVent Finance Holding GmbH	Switzerland	100%	Holding Company	Muhlenstrasse 26, 8200, Schaffhausen, Switzerland
nVent Finance NL B.V.	Netherlands	100%	Financing Company	Van Heuven Goedhartlaan 117, 1181, Amstelveen, Netherlands
nVent Finance S.a.r.l.	Luxembourg	100%	Financing Company	Regus Business Center, 26, Boulevard Royal, Grand-Duchy of Luxembourg, L-2449, Luxembourg
nVent Finland Oy	Finland	100%	Sales & Marketing	Pappilankatu 25, Hyvinge, 05800, Finland
nVent Global S.a.r.l.	Luxembourg	100%	Holding Company	Regus Business Center, 26, Boulevard Royal, Grand-Duchy of Luxembourg, L-2449, Luxembourg
nVent Global S.a.r.l. - Schaffhausen Branch	Switzerland	100%	Financing Company	Muhlenstrasse 26, 8200, Schaffhausen, Switzerland
nVent Holding NL B.V.	Netherlands	100%	Holding Company	Van Heuven Goedhartlaan 117, 1181, Amstelveen, Netherlands
nVent Holdings C.V.	Netherlands	100%	Holding Company	Jules Verneweg 75, 5015 BG, Tilburg, Netherlands
nVent Holdings S.A.	France	100%	Holding Company	Z.I. 4 rue du Marais, Boîte Postale 16, 67660, Betschdorf, France
nVent Holdings, Inc.	United States	100%	Holding Company	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
nVent International (UK) Ltd.	United Kingdom	100%	Holding Company	43 London Wall, London, England, EC2M 5TF, United Kingdom
nVent International Holding S.a.r.l.	Luxembourg	100%	Holding Company	Regus Business Center, 26, Boulevard Royal, Grand-Duchy of Luxembourg, L-2449, Luxembourg
nVent International Holding S.a.r.l. - Schaffhausen Branch	Switzerland	100%	Financing Company	Muhlenstrasse 26, 8200, Schaffhausen, Switzerland
nVent International Holdings, Inc.	United States	100%	Holding Company	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
nVent Italy S.r.L.	Italy	100%	Sales & Marketing	Centro Direzionale Milanofiori Strada 3 Palazzo B11, 20090, Assago, Milano, Italy
nVent Japan Co., Ltd.	Japan	100%	Sales & Marketing	YS Shin-Yokohama Building 3rd Floor, 15-10, Shin-Yokohama 2-chome, Kohoku-ku, Yokohama, Japan

Company name	Country	Percentage owned	Business purpose	Registered office address
nVent Luxembourg S.a.r.l.	Luxembourg	100%	Holding Company	Regus Business Center, 26, Boulevard Royal, Grand-Duchy of Luxembourg, L-2449, Luxembourg
nVent Management Company	United States	100%	Management Services Company	1665 Utica Ave, Ste 700, Minneapolis MN 55416, United States
nVent Middle East FZE	United Arab Emirates	100%	Sales & Marketing	Jebel Ali Free Zone, Jafza 1 Level 15, United Arab Emirates
nVent Nordic AP	Sweden	100%	Sales & Marketing	Box 214, 431 23, Mölndal, Sweden
nVent Project Services Canada, Inc.	Canada	100%	Service Company	Brookfield Place, 181 Bay Street, Suite 4400, Toronto ON M5J 2T3, Canada
nVent Services Canada Limited	Canada	100%	Financing Company	Brookfield Place, 181 Bay Street, Suite 4400, Toronto ON M5J 2T3, Canada
nVent Services GmbH	Switzerland	100%	IP Company	Muhlenstrasse 26, 8200, Schaffhausen, Switzerland
nVent Services Holding GmbH	Switzerland	100%	Holding Company	Muhlenstrasse 26, 8200, Schaffhausen, Switzerland
nVent Solutions (UK) Limited	United Kingdom	100%	Sales & Marketing	3 Rutherford Road, Stephenson Industrial Estate, Washington, Tyne and Wear, NE37 3HX, United Kingdom
nVent Teknoloji Sistemleri Ticaret Limited Sirketi	Turkey	100%	Sales & Marketing	FSM Mah. Poligon Cad. no.8 Buyaka 2 Sitesi 3, no'lu Blok, daire: 90, Tepeüstü-Ümraniye, Istanbul, Turkey
nVent Thermal (Shanghai) Co., Ltd.	China	100%	Sales & Marketing	Part A, 3rd Floor, Building No. 18, Fute North Street, Waigaoqiao Boundary Zone, Shanghai, China
nVent Thermal (Shanghai) Co., Ltd. - Beijing Branch	China	100%	Sales & Marketing	811-813, Office Tower 1, Sun Dong An Plaza, No. 138 Wangfujing Avenue, Dongcheng District, Beijing, China
nVent Thermal (Shanghai) Engineering Co., Ltd.	China	100%	Service Company	18/F Innovation Building, No. 1009 Yi Shan Road, Shanghai, 200233, China
nVent Thermal Belgium NV	Belgium	100%	Sales & Marketing	Romeinse Straat 14, 3001 Leuven (Heverlee), Belgium
nVent Thermal Belgium NV - Austria Representative Office	Austria	100%	Sales & Marketing	c/o Brown-Boveri-Strasse 6, 3OG, Top 14, A-2351, Wiener Neudorf, Austria
nVent Thermal Belgium, odštěpný závod - Czech Republic Branch	Czech Republic	100%	Sales & Marketing	Na prikope 988/31, Stare Mesto, 110 00 Praha 1, Czech Republic
nVent Thermal Canada Ltd.	Canada	100%	Manufacturing	1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver BC V6E 4N7, Canada
nVent Thermal Czech s.r.o., v likvidaci	Czech Republic	100%	Dormant	Na prikope 988/31, Stare Mesto, 110 00 Praha 1, Czech Republic
nVent Thermal Europe GmbH	Switzerland	100%	Holding Company	Muhlenstrasse 26, 8200, Schaffhausen, Switzerland
nVent Thermal Europe GmbH - Lusanne Branch	Switzerland	100%	Sales & Marketing	Avenue de Sevelin 18, 1004, Lusanne, Vaud, Switzerland
nVent Thermal France SAS	France	100%	Sales & Marketing	Z.I. 4 rue du Marais, Boîte Postale 16, 67660, Betschdorf, France
nVent Thermal Germany GmbH	Germany	100%	Sales & Marketing	Birlenbacher Str. 19-21, 57078, Siegen, Germany

Company name	Country	Percentage owned	Business purpose	Registered office address
nVent Thermal Holding Germany GmbH	Germany	100%	Holding Company	Birlenbacher Str. 19-21, 57078, Siegen, Germany
nVent Thermal Holdings B LLC	United States	100%	Holding Company	1209 Orange Street, Corporation Trust Center, Wilmington DE 19801, United States
nVent Thermal Holdings LLC	United States	100%	Holding Company	1209 Orange Street, Corporation Trust Center, Wilmington DE 19801, United States
nVent Thermal Korea Ltd.	Korea, Republic of	100%	Sales & Marketing	(Samseong-dong, Hyunjuk Building), 5F, 7, Seolleung-ro 94-gil, Gangnam-gu, Seoul, Korea, Republic of
nVent Thermal KZ LLP	Kazakhstan	100%	Sales & Marketing	4 "a" Smagulova Street, Atyrau, 060005, Kazakhstan
nVent Thermal LLC	United States	100%	Manufacturing	307 Constitution Drive, Menlo Park CA 94025, United States
nVent Thermal Netherlands B.V.	Netherlands	100%	Sales & Marketing	Van Heuven Goedhartlaan 117, 1181, Amstelveen, Netherlands
nVent Thermal Netherlands B.V. - Lithuanian Representative Office	Lithuania	100%	Sales & Marketing	Smolensko st. 6, Vilnius, Republic of Lithuania, Lithuania
nVent Thermal Norway AS	Norway	100%	Sales & Marketing	Haraløkka 14, OSLO, 0689, Norway
nVent Thermal Polska Sp. z.o.o.	Poland	100%	Sales & Marketing	ul. Cybernetyki, 19, 02-677, Warsaw, Poland
nVent Thermal Romania S.R.L.	Romania	100%	Sales & Marketing	Bulevardul Bucuresti, 39A, 3th floor, Ploiesti, Prahova, 100028, Romania
nVent UK Holdings Limited	United Kingdom	100%	Holding Company	43 London Wall, London, England, EC2M 5TF, United Kingdom
Optima Enclosures Limited	United Kingdom	100%	Dormant	3, Melville Street, Edinburgh, EH3 7PE, United Kingdom
Pentair Technical Products India Private Limited	India	100%	Sales & Marketing	19-B, Phase 2, Sector 1, Shyanamangala Cross, KIADB Industrial Area, Bidadi, Ramanagara, KA, 562109, India
Pentair Thermal Management India Private Limited	India	100%	Manufacturing	Sucheta Bhawan, Gaate No. 2, 2nd Floor, 11-A, Vishnu Digamber Marg, New Delhi, 110002, India
Productos ERICO S.A.	Spain	100%	Sales & Marketing	Rambla Exposicio, No 61-69, Edificio Neapolis, Vilanova i la Geltru, 08800, Barcelona, Spain
Schroff Co. Ltd. Taiwan	Taiwan	100%	Dormant	13F-5 NO. 1, FU HSING N. Road, Taipei, ROC, Taiwan
Schroff GmbH	Germany	100%	Manufacturing	Langenalber Strasse 96-100, 75334, Straubenhardt, Germany
Schroff Holdings Germany GmbH	Germany	100%	Holding Company	Langenalber Strasse 96-100, 75334, Straubenhardt, Germany
Schroff SAS	France	100%	Manufacturing	Z.I. 4 rue du Marais, Boîte Postale 16, 67660, Betschdorf, France
Schroff, Inc.	United States	100%	Manufacturing	170 Commerce Drive, Warwick RI 02886, United States
Steinhauer GmbH	Germany	100%	Manufacturing	St. Jobser Straße 47A, 52146, Würselen, Germany
Tonka Bay Insurance Company	United States	100%	Insurance Company	100 Bank Street, Suite 610, Burlington VT 05401, United States
Tracer Construction LLC	United States	100%	Holding Company	1209 Orange Street, Corporation Trust Center, Wilmington DE 19801, United States

Company name	Country	Percentage owned	Business purpose	Registered office address
Tracer Industries Canada Limited	Canada	100%	Manufacturing	Brookfield Place, 181 Bay Street, Suite 4400, Toronto ON M5J 2T3, Canada
Tracer Industries Management LLC	United States	100%	Holding Company	1209 Orange Street, Corporation Trust Center, Wilmington DE 19801, United States
Tracer Industries, Inc.	United States	100%	Holding Company	7433 Harwin Drive, Houston TX 77036, United States
Yabaida Electronics (Shenzhen) Company Limited	China	100%	Dormant	BEI QU 25# 2 LOU, Hi Tech Park, Nanshan District, Shenzhen, Guangdong, China

NVENT ELECTRIC PUBLIC LIMITED COMPANY

Company Financial Statements
For the financial year ended 31 December 2018

nVent Electric plc
Company Balance Sheet

<i>In millions</i>	Note	31 December 2018	31 December 2017
Financial assets			
Shares in group undertakings	3	\$ 3,787	\$ —
Total financial assets		3,787	—
Current assets			
Prepaid expenses		1	—
Total current assets		1	—
Creditors (amounts falling due within one year)			
Amounts owed to group undertakings		114	—
Other creditors		5	—
Total creditors (amounts falling due within one year)		119	—
Net current assets		(118)	—
Total assets less current liabilities		3,669	—
Net assets		\$ 3,669	\$ —
Capital and reserves			
Called-up share capital presented as equity		\$ 2	\$ —
Share premium account		12	—
Profit and loss account		3,649	—
Other reserves		6	—
Total shareholders' funds		\$ 3,669	\$ —

The company reported a loss for the financial year ended December 31, 2018 and 2017 of \$4 million and \$0 million, respectively.

Approved by the Board of Directors on February 19, 2019 and signed on its behalf by:

/s/Beth A. Wozniak
Director

/s/ Ronald L. Merriman
Director

nVent Electric plc
Company Statement of Cash Flow

The below table provides a reconciliation of net loss for the financial period to cash provided by (used in) operating activities for the financial period ended 31 December 2018.

<i>In millions</i>	Financial year ended	
	December 31, 2018	December 31, 2017
Operating activities		
Net loss for the financial year	\$ (4)	\$ —
Cash provided by (used in) operating activities before movement in working capital	(4)	—
Change in debtors	(1)	—
Change in creditors	5	—
Change in amounts owed to group undertakings	107	—
Net cash flows provided by (used in) operating activities	107	—
Investing activities		
Dividends received from subsidiaries	—	—
Net cash flows provided by (used in) investing activities	—	—
Financing activities		
Dividends paid	(63)	—
Repurchases of ordinary shares	(56)	—
Proceeds from shares issued to employees, net of shares withheld	12	—
Net cash flows provided by (used in) financing activities	(107)	—
Change in cash at bank and in hand	—	—
Cash at bank and in hand, beginning of the year	—	—
Cash at bank and in hand, end of the year	\$ —	\$ —

nVent Electric plc
Company Statement of Changes in Equity

Shareholders' funds activity of the parent Company for the financial period ended 31 December 2018 and the financial period from 30 May 2017 (Date of Incorporation) to 31 December 2017 was as follows:

<i>In millions</i>	Called up & fully paid share capital	Share premium account	Capital redemption reserve	Profit and loss account	Merger account	Other reserves	Total
Balance - 30 May 2017	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Issuance of deferred shares	—	—	—	—	—	—	—
Balance - 31 December 2017	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Share capital issued upon separation (Note 3)	2	—	—	—	3,775	—	3,777
Issuance of bonus share	—	3,775	—	—	(3,775)	—	—
Share capital reduction	—	(3,775)	—	3,775	—	—	—
Loss for the financial year	—	—	—	(4)	—	—	(4)
Repurchase of shares	—	—	—	(59)	—	—	(59)
Share-based compensation	—	—	—	—	—	10	10
Exercise of options, net of shares tendered for payment	—	12	—	—	—	—	12
Share surrendered by employees to pay taxes	—	—	—	—	—	(4)	(4)
Dividends paid	—	—	—	(63)	—	—	(63)
Balance - 31 December 2018	\$ 2	\$ 12	\$ —	\$ 3,649	\$ —	\$ 6	\$ 3,669

During 2018, the Board of Directors declared dividends of \$0.175 per share that were paid during the third and fourth quarters of 2018, resulting in total dividends paid of \$0.35 per share, or \$63.0 million in 2018. Additionally, on December 11, 2018, the Board of Directors declared a quarterly cash dividend of \$0.175 that was paid on February 8, 2019 to shareholders of record at the close of business on January 25, 2019. As this dividend was not approved by shareholders as of December 31, 2018, it did not meet the criteria to be provided for as a liability in the Company Balance Sheet. The amount paid on February 8, 2019 related to this dividend was \$31.0 million.

On February 19, 2019, the Board of Directors declared a quarterly cash dividend of \$0.175 per ordinary share payable on May 3, 2019 to shareholders of record at the close of business on April 18, 2019.

Note 12 of the consolidated and combined Group financial statements provides additional details regarding shareholders' funds.

On Separation, the company created a merger account, representing the excess above the nominal value of the shares issued and the fair value of the company based on the Company's market capitalization at that date. Subsequently, the Company issued a bonus share to the sole shareholder of the Preferred Share capital equal to the merger reserve and in accordance with our Constitution the Company credited the share premium account to the value of the merger account.

In June 2018, the Irish High Court approved nVent Electric plc's conversion of the share premium account to distributable reserves amounting to \$3.8 billion.

1. Basis of Presentation and Summary of Significant Accounting Policies

General information and basis of accounting

nVent Electric plc ("nVent," "we," "us," "our" or the "Company") a public company limited by shares and incorporated in the Republic of Ireland and having its registered offices at 10 Earlsfort Terrace, Dublin, D02 T380, Ireland. Its registered number is 605257. The nature of the company's operations and its principal activities are set out in the directors' report on page 1.

On April 30, 2018, Pentair plc ("Pentair") completed the separation (the "separation") of its Water business and its Electrical business into two independent, publicly-traded companies. To effect the separation, Pentair distributed to its shareholders one ordinary share of nVent for every ordinary share of Pentair held as of the record date of April 17, 2018. As a result of the distribution, nVent is now an independent publicly-traded company and began "regular way" trading under the symbol "NVT" on the New York Stock Exchange on May 1, 2018.

The parent company financial statements of the Company for the financial year ended 31 December 2018 and 2017 have been prepared in accordance with generally accepted accounting practice in Ireland ("Irish GAAP"), comprising the Financial Reporting Standards 102 ("FRS 102"), the Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework"), together with the Companies Act 2014. These financial statements are prepared under Irish GAAP as they are prepared specifically to comply with Irish legislative requirements and represent the results and financial position of the Company, which is incorporated and registered in the Republic of Ireland.

Functional currency

Items included in these financial statements are measured using the currency of the primary economic environment in which nVent Electric plc operates (the "functional currency"). The financial statements are presented in United States ("U.S.") dollars, which is the Company's functional and presentation currency.

Currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above); and
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

Shares in group undertakings

nVent Electric plc's investment in nVent Finance SARL ("NFSA") was recorded at fair value on 30 April 2018, the date of the separation. The fair value was based on the Company's market capitalization at that date. This initial valuation became nVent Electric plc's cost basis for its investment in NFSA. The investment is tested for impairment if circumstances or indicators suggest that impairment may exist. The amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Dividends

Dividends may only be declared and paid out of the profits available for distribution in accordance with accounting practice generally accepted in Ireland and applicable Irish company law. Any dividends, if and when declared, will be declared and paid in U.S. dollars. Total dividends paid during 2018 was \$62.9 million, representing \$0.35 per share.

Redemption of Shares

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Share-based compensation

The Company applies the requirements of FRS 102 Section 26 Share-Based Payment in accounting for all share-based compensation, consequently, the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors is based on estimated fair values.

The Company issues equity-settled share options to certain employees of its subsidiaries. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. Where this expense is not recharged by the Company to its subsidiaries, it is accounted for as a capital contribution included in Shares in group undertakings as reflected in Note 3.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Given the nature of the company's operations and recorded transactions, the directors are of the opinion that there are no areas of critical judgment or key sources of estimation uncertainty in preparing the company financial statements.

Audit exemptions

For the year ended December 31, 2018, the UK incorporated subsidiaries of the Company listed below were entitled to exemption from audit under s479A of the Companies Act 2006 of the UK relating to UK incorporated subsidiary companies.

Company name	Company registration number
nVent International (UK) Ltd	09748745
nVent UK Holdings Limited	11027362
ERICO Europa (G.B.) Ltd	01053663
nVent Solutions (UK) Ltd	03710607
Optima Enclosures Limited	SC099841

The liabilities in respect of the undertakings listed above, which have arisen in respect of the financial year ended December 31, 2018 are already included within the Group's Consolidated and Combined Balance Sheet.

2. Post Balance Sheet Events

There have been no post balance sheet events affecting the company since the financial year end.

3. Shares in Group Undertakings

<i>In millions</i>	2018
At 31, December 2017	\$ —
Investment in subsidiary, at cost on separation	3,777
Investment in subsidiary undertakings - share based payments	10
At 31, December 2018, at cost	\$ 3,787

During the financial year, the company acquired 100% of the ordinary share capital of NFSA, which owns 100% of the ordinary share capital of nVent International Holding SARL. The principal activity of nVent International SARL is an investment holding company. The Company's investment in nVent Finance SARL was recorded at fair value on the date of the separation based on the Company's market capitalization at that date. This initial valuation became the Company's cost basis in nVent Electric plc.

The \$10 million investment in subsidiary undertakings during the financial year represents equity-settled share-based payment transactions not recharged to subsidiaries and recorded as a capital contribution.

No impairment charges were recorded as a result of our annual impairment test completed as of 31 December 2018.

4. Guarantees and Contingencies

Indemnifications of officers and directors

The Company has indemnification agreements with the members of its board of directors to indemnify them to the extent permitted by law against any and all liabilities, costs, expenses, amounts paid in settlement and damages incurred by any director as a result of any lawsuit or any judicial, administrative or investigative proceeding brought against such director as a result of their service as a member of the Company's board of directors.

Debt

As of 31 December 2018, NFSA has a \$600 million unsecured revolving credit facility expiring in 2023, \$148 million term loan facility outstanding due in 2023, and \$800 million aggregate principal amount of senior notes outstanding comprised of the following: \$300 million of 3.95% notes due in 2023 and \$500 million of 4.55% notes due in 2028.

The company is party to the revolving credit facility, term loan facility and senior notes are unconditionally guaranteed joint and severally on a senior unsecured basis by nVent Electric plc and its subsidiaries.

Guarantees

In disposing of assets or businesses, the company often provides representations, warranties and indemnities to cover various risks including unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities and unidentified tax liabilities and legal fees related to periods prior to disposition. The company does not have the ability to reasonably estimate the potential liability due to the inchoate and unknown nature of these potential liabilities. However, we have no reason to believe that these uncertainties would have a material adverse effect on our financial position, results of operations or cash flows.

In the ordinary course of business, the company is required to commit to bonds, letters of credit and bank guarantees that require payments to our customers for any non-performance. The outstanding face value of these instruments fluctuates with the value of our projects in process and in our backlog. In addition, we issue financial stand-by letters of credit primarily to secure our performance to third parties under self-insurance programs.

As of December 31, 2018, the outstanding value of bonds, letters of credit and bank guarantees totaled \$75.8 million (2017: \$0 million).

5. Called up Share Capital Presented as Equity

Upon incorporation on May 30, 2017, 2 ordinary shares of €1 were issued at par. Subsequently, a further 25,000 €1 deferred shares were issued at par on 12 October 2017. On 30 April 2018, the company issued 178,415,318 ordinary shares of \$0.01 par value to facilitate of acquiring the nVent business. The 2 ordinary and 1 deferred shares were cancelled for nil consideration on 2 May 2018.

Called up and fully paid share capital activity of the parent Company for the financial year ended 31 December 2018 was as follows:

	Ordinary Shares	Deferred Ordinary Shares
Balance - 30 May 2017	2	—
25,000 deferred ordinary shares of €1 each	—	25,000
Balance - 31 December 2017	2	25,000
Share capital of \$0.01 par value issued upon separation	178,415,318	—
Cancellation of 2 ordinary shares and 1 deferred share for nil consideration	(2)	(1)
Ordinary shares canceled upon repurchase	(2,429,013)	—
Exercise of options, net of shares tendered for payment	994,472	—
Ordinary shares of \$0.01 par value issued for share-based compensation activity	388,899	—
Shares surrendered by employees to pay taxes	(145,474)	—
Balance - 31 December 2018	177,224,202	24,999

Share repurchases

On 23 July, 2018, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of \$500 million. The authorization expires on 23 July, 2021. During 2018, we repurchased 2 million shares (approximately 1.4% of our outstanding shares at 31 December 2018) for \$59 million, pursuant to the July 2018 authorization, at prices ranging from \$21 to \$27 per share. \$3 million of the \$59 million share repurchases had not been paid for as of 31 December, 2018. All 2 million shares were subsequently canceled. As a result of the 2018 repurchase activity, we had \$441 million of remaining availability for repurchases under the July 2018 authorization as of 31 December 2018.

On 19 February, 2019, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of \$380 million. This authorization is in addition to the authorization approved in July 2018 to repurchase up to \$500 million of our ordinary shares. The authorization expires on 23 July, 2021.

The repurchase of our ordinary shares under these authorizations from the Board of Directors from time to time, based on market conditions, allow management to return excess cash to enhance shareholder value.

6. Loss Attributable to nVent Electric plc

In accordance with Section 304(2) of the Companies Act 2014, the Company is availing of the exemption from presenting and filing its individual profit and loss account. nVent Electric plc's loss for the financial year ended 31 December 2018 and financial period from 30 May 2017 (Date of Incorporation) to 31 December 2017 as determined in accordance with FRS 102, the financial reporting standard applicable in the United Kingdom and Republic of Ireland, was \$4 million and \$0 million, respectively.

7. Directors Remuneration

Note 23 of the consolidated and combined Group financial statements provides details of directors' remuneration borne by the Company.

8. Auditor's Remuneration

Auditor's remuneration for the financial year ended 31 December 2018 was as follows:

<i>In millions</i>	2018
Audit of the entity financial statements	\$ —
Other assurance services	0.2
Tax advisory services	—
Other non-audit services	—
Total auditor's remuneration	\$ 0.2

Note 24 of the consolidated and combined Group financial statements provides additional details of fees paid by the Group.

9. Related Party Transactions

The Company has availed of the exemption provided in FRS 102 Section 33, Related Party Disclosures, for disclosure of transactions with subsidiary undertakings, 100% of whose voting rights are controlled within the Group. Consequently, the financial statements do not contain disclosures of such transactions with entities in the nVent Electric plc group.

The directors have determined that key management are the director group. Remuneration related to key management personnel is disclosed in Note 23 of the consolidated and combined Group financial statements.

10. Subsidiary Undertakings

nVent Electric plc owns 100% of the ordinary share capital of NFSA, which owns 100% of the ordinary share capital of nVent International Holding SARL. The principal activity of nVent International SARL is an investment holding company. All of nVent International Holding SARL's subsidiaries are included in Note 26 of the consolidated and combined Group financial statements.