

Section 1: 10-Q (10-Q)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-1023

S&P Global

S&P Global Inc.

(Exact name of registrant as specified in its charter)

New York

13-1026995

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

55 Water Street, New York, New York

10041

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 212-438-1000

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES NO

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

<u>Class</u>	<u>Shares Outstanding</u>	<u>Date</u>
Common stock (par value \$1.00 per share)	250.9 million	October 19, 2018

S&P Global Inc.

INDEX

	<u>Page Number</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Report of Independent Registered Public Accounting Firm</u>	<u>3</u>
<u>Consolidated Statements of Income for the three and nine months ended September 30, 2018 and 2017</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2018 and 2017</u>	<u>5</u>
<u>Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017</u>	<u>6</u>
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017</u>	<u>7</u>
<u>Consolidated Statement of Equity for the nine months ended September 30, 2018</u>	<u>8</u>
<u>Notes to the Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)</u>	<u>35</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>57</u>
<u>Item 4. Controls and Procedures</u>	<u>57</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>58</u>
<u>Item 1a. Risk Factors</u>	<u>58</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>58</u>
<u>Item 5. Other Information</u>	<u>58</u>
<u>Item 6. Exhibits</u>	<u>60</u>
<u>Signatures</u>	<u>61</u>

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of S&P Global Inc.

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheet of S&P Global Inc. (and subsidiaries) (the “Company”) as of September 30, 2018, the related consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, the related consolidated statements of cash flows for the nine-month periods ended September 30, 2018 and 2017, the related consolidated statement of equity for the nine-month period ended September 30, 2018, and the related notes (collectively referred to as the “consolidated interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2017, the related consolidated statements of income, comprehensive income, equity and cash flows for the year then ended, and the related notes and schedule (not presented herein); and in our report dated February 9, 2018, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These consolidated interim financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of consolidated interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ ERNST & YOUNG LLP

New York, NY
October 25, 2018

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

S&P Global Inc.**Consolidated Statements of Income**
(Unaudited)

(in millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenue	\$ 1,546	\$ 1,513	\$ 4,721	\$ 4,475
Expenses:				
Operating-related expenses	406	419	1,290	1,262
Selling and general expenses	383	399	1,194	1,123
Depreciation	20	22	60	61
Amortization of intangibles	33	24	91	73
Total expenses	842	864	2,635	2,519
Operating profit	704	649	2,086	1,956
Other income, net	(6)	(9)	(22)	(26)
Interest expense, net	38	37	98	110
Income before taxes on income	672	621	2,010	1,872
Provision for taxes on income	137	169	440	533
Net income	535	452	1,570	1,339
Less: net income attributable to noncontrolling interests	(40)	(38)	(123)	(105)
Net income attributable to S&P Global Inc.	\$ 495	\$ 414	\$ 1,447	\$ 1,234
Earnings per share attributable to S&P Global Inc. common shareholders:				
Net income:				
Basic	\$ 1.97	\$ 1.62	\$ 5.75	\$ 4.80
Diluted	\$ 1.95	\$ 1.61	\$ 5.70	\$ 4.75
Weighted-average number of common shares outstanding:				
Basic	251.3	255.5	251.6	257.0
Diluted	253.5	257.9	253.7	259.5
Actual shares outstanding at period end			250.9	255.0
Dividend declared per common share	\$ 0.50	\$ 0.41	\$ 1.50	\$ 1.23

See accompanying notes to the unaudited consolidated financial statements.

S&P Global Inc.

Consolidated Statements of Comprehensive Income
(Unaudited)

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income	\$ 535	\$ 452	\$ 1,570	\$ 1,339
Other comprehensive income:				
Foreign currency translation adjustment	(1)	24	(53)	96
Income tax effect	2	—	(1)	—
	1	24	(54)	96
Pension and other postretirement benefit plans	5	3	(6)	7
Income tax effect	(1)	(1)	2	—
	4	2	(4)	7
Unrealized loss on investment and forward exchange contracts	(4)	(4)	(8)	(7)
Income tax effect	1	(1)	2	(1)
	(3)	(5)	(6)	(8)
Comprehensive income	537	473	1,506	1,434
Less: comprehensive income attributable to nonredeemable noncontrolling interests	(4)	(4)	(11)	(10)
Less: comprehensive income attributable to redeemable noncontrolling interests	(36)	(34)	(112)	(95)
Comprehensive income attributable to S&P Global Inc.	\$ 497	\$ 435	\$ 1,383	\$ 1,329

See accompanying notes to the unaudited consolidated financial statements.

S&P Global Inc.
Consolidated Balance Sheets

(in millions)	September 30, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,158	\$ 2,777
Restricted cash	45	2
Accounts receivable, net of allowance for doubtful accounts: 2018 - \$35; 2017 - \$33	1,237	1,319
Prepaid and other current assets	188	226
Total current assets	3,628	4,324
Property and equipment, net of accumulated depreciation: 2018 - \$586; 2017 - \$554	275	275
Goodwill	3,544	2,989
Other intangible assets, net	1,420	1,388
Other non-current assets	516	449
Total assets	\$ 9,383	\$ 9,425
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 194	\$ 195
Accrued compensation and contributions to retirement plans	307	472
Short-term debt	—	399
Income taxes currently payable	92	77
Unearned revenue	1,576	1,613
Accrued legal and regulatory settlements	—	107
Other current liabilities	348	351
Total current liabilities	2,517	3,214
Long-term debt	3,661	3,170
Pension and other postretirement benefits	225	244
Other non-current liabilities	537	679
Total liabilities	6,940	7,307
Redeemable noncontrolling interest (Note 8)	1,485	1,350
Commitments and contingencies (Note 12)		
Equity:		
Common stock	412	412
Additional paid-in capital	897	525
Retained income	11,003	10,025
Accumulated other comprehensive loss	(703)	(649)
Less: common stock in treasury	(10,704)	(9,602)
Total equity — controlling interests	905	711
Total equity — noncontrolling interests	53	57
Total equity	958	768
Total liabilities and equity	\$ 9,383	\$ 9,425

See accompanying notes to the unaudited consolidated financial statements.

S&P Global Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Nine Months Ended	
	September 30,	
	2018	2017
Operating Activities:		
Net income	\$ 1,570	\$ 1,339
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	60	61
Amortization of intangibles	91	73
Provision for losses on accounts receivable	16	17
Stock-based compensation	73	65
Other	41	42
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:		
Accounts receivable	62	(64)
Prepaid and other current assets	1	3
Accounts payable and accrued expenses	(167)	(50)
Unearned revenue	(72)	(107)
Accrued legal settlements	(180)	(4)
Other current liabilities	(18)	(94)
Net change in prepaid/accrued income taxes	62	(42)
Net change in other assets and liabilities	(138)	(36)
Cash provided by operating activities	<u>1,401</u>	<u>1,203</u>
Investing Activities:		
Capital expenditures	(88)	(77)
Acquisitions, net of cash acquired	(263)	(80)
Proceeds from dispositions	—	2
Changes in short-term investments	5	—
Cash used for investing activities	<u>(346)</u>	<u>(155)</u>
Financing Activities:		
Proceeds from issuance of senior notes, net	489	—
Payments on senior notes	(403)	—
Dividends paid to shareholders	(379)	(316)
Distributions to noncontrolling interest holders	(116)	(69)
Purchase of CRISIL shares	(25)	—
Repurchase of treasury shares	(1,108)	(846)
Exercise of stock options	24	69
Employee withholding tax on share-based payments	(61)	(49)
Cash used for financing activities	<u>(1,579)</u>	<u>(1,211)</u>
Effect of exchange rate changes on cash from continuing operations	(52)	83
Net change in cash, cash equivalents, and restricted cash	(576)	(80)
Cash, cash equivalents, and restricted cash at beginning of period	2,779	2,392
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 2,203</u>	<u>\$ 2,312</u>

See accompanying notes to the unaudited consolidated financial statements.

S&P Global Inc.

Consolidated Statement of Equity
(Unaudited)

(in millions)	Common Stock \$1 par	Additional Paid-in Capital	Retained Income	Accumulated Other Comprehensive Loss	Less: Treasury Stock	Total SPGI Equity	Noncontrolling Interests	Total Equity
Balance as of December 31, 2017	\$ 412	\$ 525	\$ 10,025	\$ (649)	\$ 9,602	\$ 711	\$ 57	\$ 768
Comprehensive income ¹			1,447	(64)		1,383	11	1,394
Dividends			(379)			(379)	(9)	(388)
Share repurchases					1,113	(1,113)		(1,113)
Employee stock plans		45			(11)	56		56
Change in redemption value of redeemable noncontrolling interest			(116)			(116)		(116)
Increase in CRISIL ownership		(25)				(25)	(1)	(26)
Stock consideration for Kensho		352				352		352
Other			26 ²	10 ²		36 ²	(5)	31
Balance as of September 30, 2018	\$ 412	\$ 897	\$ 11,003	\$ (703)	\$ 10,704	\$ 905	\$ 53	\$ 958

¹ Excludes \$112 million attributable to our redeemable noncontrolling interest.

² Reflects opening balance sheet adjustments related to the adoption of the new revenue recognition standard and the reclassification of the unrealized loss on investments from Accumulated other comprehensive loss to Retained income. See Note 1 — *Nature of Operations and Basis of Presentation* for additional details.

See accompanying notes to the unaudited consolidated financial statements.

S&P Global Inc.

Notes to the Consolidated Financial Statements
(Unaudited)

1. Nature of Operations and Basis of Presentation

S&P Global Inc. (together with its consolidated subsidiaries, "S&P Global," the "Company," "we," "us" or "our") is a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

Our operations consist of four reportable segments: S&P Global Ratings ("Ratings"), S&P Global Market Intelligence ("Market Intelligence"), S&P Global Platts ("Platts") and S&P Dow Jones Indices ("Indices").

- Ratings is an independent provider of credit ratings, research, and analytics, offering investors and other market participants information, ratings and benchmarks.
- Market Intelligence is a global provider of multi-asset-class data, research and analytical capabilities, which integrate cross-asset analytics and desktop services.
- Platts is the leading independent provider of information and benchmark prices for the commodity and energy markets.
- Indices is a global index provider that maintains a wide variety of valuation and index benchmarks for investment advisors, wealth managers and institutional investors.

In April of 2018, we acquired Kensho Technologies Inc. ("Kensho") for approximately \$550 million, net of cash acquired, in a mix of cash and stock. The results of Kensho, an operating segment of the Company, are included in Corporate revenue and Corporate Unallocated for financial reporting purposes. Restricted cash of \$37 million included in our consolidated balance sheet as of September 30, 2018 includes amounts held in escrow accounts in connection with our acquisition of Kensho. See Note 2 — *Acquisitions and Divestitures* and Note 11 — *Segment and Related Information* for additional information.

The accompanying unaudited financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. Therefore, the financial statements included herein should be read in conjunction with the financial statements and notes included in our Form 10-K for the year ended December 31, 2017 (our "Form 10-K"). Certain prior-year amounts have been reclassified to conform with current presentation.

In the opinion of management, all normal recurring adjustments considered necessary for a fair statement of the results of the interim periods have been included. The operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the full year.

Our critical accounting estimates are disclosed in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in our Form 10-K. On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, allowance for doubtful accounts, valuation of long-lived assets, goodwill and other intangible assets, pension plans, incentive compensation and stock-based compensation, income taxes, contingencies and redeemable noncontrolling interests. Since the date of our Form 10-K, we adopted Financial Accounting Standards Board Accounting Standards Codification ("ASC") 606 as discussed below. There have been no other material changes to our critical accounting policies and estimates.

Adoption of ASC 606, "Revenue from Contracts with Customers"

On January 1, 2018, we adopted ASC 606 "Revenue from Contracts with Customers" using the modified retrospective transition method applied to our revenue contracts with customers as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior year amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605. We recorded a net increase to opening retained earnings of \$35 million as of January 1, 2018 due to the cumulative effect of adopting ASC 606, with the impact primarily related to our treatment of costs to obtain a contract and to a lesser extent, changes to the timing of the recognition of our subscription and non-transaction revenues. We recognized incremental revenue of \$5 million for nine months ended September 30, 2018 as a result of the adoption of this standard.

Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services.

The following table presents our revenue disaggregated by revenue type:

(in millions)	Ratings	Market Intelligence	Platts	Indices	Corporate	Intersegment Elimination ¹	Total
Three Months Ended September 30, 2018							
Subscription	\$ —	\$ 451	\$ 188	\$ 41	\$ 5	\$ —	\$ 685
Non-transaction	372	—	—	—	—	(32)	340
Non-subscription / Transaction	328	8	2	—	—	—	338
Asset-linked fees	—	5	—	131	—	—	136
Sales usage-based royalties	—	—	14	33	—	—	47
Total revenue	<u>\$ 700</u>	<u>\$ 464</u>	<u>\$ 204</u>	<u>\$ 205</u>	<u>\$ 5</u>	<u>\$ (32)</u>	<u>\$ 1,546</u>

Timing of revenue recognition

Services transferred at a point in time	\$ 328	\$ 8	\$ 2	\$ —	\$ —	\$ —	\$ 338
Services transferred over time	372	456	202	205	5	(32)	1,208
Total revenue	<u>\$ 700</u>	<u>\$ 464</u>	<u>\$ 204</u>	<u>\$ 205</u>	<u>\$ 5</u>	<u>\$ (32)</u>	<u>\$ 1,546</u>

Nine Months Ended September 30, 2018

Subscription	\$ —	\$ 1,306	\$ 556	\$ 109	\$ 10	\$ —	\$ 1,981
Non-transaction	1,129	—	—	—	—	(92)	1,037
Non-subscription / Transaction	1,094	28	8	—	—	—	1,130
Asset-linked fees	—	15	—	396	—	—	411
Sales usage-based royalties	—	—	40	122	—	—	162
Total revenue	<u>\$ 2,223</u>	<u>\$ 1,349</u>	<u>\$ 604</u>	<u>\$ 627</u>	<u>\$ 10</u>	<u>\$ (92)</u>	<u>\$ 4,721</u>

Timing of revenue recognition

Services transferred at a point in time	\$ 1,094	\$ 28	\$ 8	\$ —	\$ —	\$ —	\$ 1,130
Services transferred over time	1,129	1,321	596	627	10	(92)	3,591
Total revenue	<u>\$ 2,223</u>	<u>\$ 1,349</u>	<u>\$ 604</u>	<u>\$ 627</u>	<u>\$ 10</u>	<u>\$ (92)</u>	<u>\$ 4,721</u>

(in millions)	Ratings	Market Intelligence	Platts	Indices	Corporate	Intersegment Elimination ¹	Total
Three Months Ended September 30, 2017²							
Subscription	\$ —	\$ 406	\$ 177	\$ 36	\$ —	\$ —	\$ 619
Non-transaction	367	—	—	—	—	(28)	339
Non-subscription / Transaction	372	10	2	—	—	—	384
Asset-linked fees	—	6	—	118	—	—	124
Sales usage-based royalties	—	—	14	33	—	—	47
Total revenue	\$ 739	\$ 422	\$ 193	\$ 187	\$ —	\$ (28)	\$ 1,513

Timing of revenue recognition

Services transferred at a point in time	\$ 372	\$ 10	\$ 2	\$ —	\$ —	\$ —	\$ 384
Services transferred over time	367	412	191	187	—	(28)	1,129
Total revenue	\$ 739	\$ 422	\$ 193	\$ 187	\$ —	\$ (28)	\$ 1,513

Nine Months Ended September 30, 2017²

Subscription	\$ —	\$ 1,189	\$ 523	\$ 104	\$ —	\$ —	\$ 1,816
Non-transaction	1,061	—	—	—	—	(81)	980
Non-subscription / Transaction	1,138	32	9	—	—	—	1,179
Asset-linked fees	—	17	—	340	—	—	357
Sales usage-based royalties	—	—	45	98	—	—	143
Total revenue	\$ 2,199	\$ 1,238	\$ 577	\$ 542	\$ —	\$ (81)	\$ 4,475

Timing of revenue recognition

Services transferred at a point in time	\$ 1,138	\$ 32	\$ 9	\$ —	\$ —	\$ —	\$ 1,179
Services transferred over time	1,061	1,206	568	542	—	(81)	3,296
Total revenue	\$ 2,199	\$ 1,238	\$ 577	\$ 542	\$ —	\$ (81)	\$ 4,475

¹ Intersegment eliminations mainly consists of a royalty charged to Market Intelligence for the rights to use and distribute content and data developed by Ratings.

² As noted above, amounts for the three and nine months ended September 30, 2017 were not adjusted under the modified retrospective transition method applied to our revenue contracts with customers as of January 1, 2018.

Subscription revenue

Subscription revenue at Market Intelligence is primarily derived from distribution of data, analytics, third party research, and credit ratings-related information primarily through web-based channels including Market Intelligence Desktop, RatingsDirect®, RatingsXpress®, and Credit Analytics. Subscription revenue at Platts is generated by providing customers access to commodity and energy-related price assessments, market data, and real-time news, along with other information services. Subscription revenue at Indices is derived from the contracts for underlying data of our indexes to support our customers' management of index funds, portfolio analytics, and research.

For subscription products and services, we generally provide continuous access to dynamic data sets and analytics for a defined period, with revenue recognized ratably as our performance obligation to provide access to our data and analytics is progressively fulfilled over the stated term of the contract.

Non-transaction revenue

Non-transaction revenue at Ratings is primarily related to surveillance of a credit rating, annual fees for customer relationship-based pricing programs, fees for entity credit ratings and global research and analytics. Non-transaction revenue also includes an intersegment revenue elimination of \$32 million and \$92 million for the three and nine months ended September 30, 2018, respectively, and \$28 million and \$81 million for the three and nine months ended September 30, 2017, respectively, mainly consisting of the royalty charged to Market Intelligence for the rights to use and distribute content and data developed by Ratings.

For non-transaction revenue related to Rating's surveillance services, we continuously monitor factors that impact the creditworthiness of an issuer over the contractual term with revenue recognized to the extent that our performance obligation is progressively fulfilled over the term contract. Because surveillance services are continuously provided throughout the term of the contract, our measure of progress towards fulfillment of our obligation to monitor a rating is a time-based output measure with revenue recognized ratably over the term of the contract.

Non-subscription / Transaction revenue

Transaction revenue at our Ratings segment primarily includes fees associated with:

- ratings related to new issuance of corporate and government debt instruments; and structured finance instruments;
- bank loan ratings; and
- corporate credit estimates, which are intended, based on an abbreviated analysis, to provide an indication of our opinion regarding creditworthiness of a company which does not currently have a Ratings credit rating.

Transaction revenue is recognized at the point in time when our performance obligation is satisfied by issuing a rating on our customer's instruments, our customer's creditworthiness, or a counter-party's creditworthiness and when we have a right to payment and the customer can benefit from the significant risks and rewards of ownership.

Non-subscription revenue at Market Intelligence is primarily related to certain advisory, pricing and analytical services. Non-subscription revenue at Platts is primarily related to conference sponsorship, consulting engagements and events.

Asset-linked fees

Asset-linked fees at Indices and Market Intelligence are primarily related to royalties payments based on the value of assets under management in our customers exchange-traded funds and mutual funds.

For asset-linked products and services, we provide licenses conveying continuous access to our index and benchmark-related intellectual property during a specified contract term. Revenue is recognized when the extent that our customers have used our licensed intellectual property can be quantified. Recognition of revenue for our asset-linked fee arrangements is subject to the "recognition constraint" for usage-based royalty payments because we cannot reasonably predict the value of the assets that will be invested in index funds structured using our intellectual property until it is either publicly available or when we are notified by our customers. Revenue derived from an asset-linked fee arrangement is measured and recognized when the certainty of the extent of its utilization of our index products by our customers is known.

Sales usage-based royalties

Sales usage-based royalty revenue at our Indices segment is primarily related to trading based fees from exchange-traded derivatives. Sales and usage-based royalty revenue at our Platts segment is primarily related to licensing of its proprietary market price data and price assessments to commodity exchanges.

For sales usage-based royalty products and services, we provide licenses conveying the right to continuous access to our intellectual property over the contract term, with revenue recognized when the extent of our license's utilization can be quantified, or more specifically, when trading volumes are known and publicly available to us or when we are notified by our customers. Recognition of revenue of fees tied to trading volumes is subject to the recognition constraint for a usage-based royalty promised by our customers in exchange for the license of our intellectual property, with revenue recognized when trading volumes are known.

Arrangements with Multiple Performance Obligations

Our contracts with customers may include multiple performance obligations. Revenue relating to agreements that provide for more than one performance obligation is recognized based upon the relative fair value to the customer of each service component as each component is earned. The fair value of the service components are determined using an analysis that considers cash consideration that would be received for instances when the service components are sold separately. If the fair value to the customer for each service is not objectively determinable, we make our best estimate of the services' stand-alone selling price and record revenue as it is earned over the service period.

Receivables

We record a receivable when a customer is billed or when revenue is recognized prior to billing a customer. For multi-year agreements, we generally invoice customers annually at the beginning of each annual period. The opening balance of accounts receivable, net of allowance for doubtful accounts, was \$1,319 million as of January 1, 2018.

Contract Assets

Contract assets include unbilled amounts from when the Company transfers service to a customer before a customer pays consideration or before payment is due. As of September 30, 2018 and December 31, 2017, contract assets were \$43 million and \$17 million, respectively, and are included in accounts receivable in our consolidated balance sheets.

Unearned Revenue

We record unearned revenue when cash payments are received or due in advance of our performance. The decrease in the deferred revenue balance for the three and nine months ended September 30, 2018 is primarily driven by \$1.4 billion of revenues recognized that were included in the unearned revenue balance at the beginning of the period, offset by cash payments received or due in advance of satisfying our performance obligations.

Remaining Performance Obligations

Remaining performance obligations represent the transaction price of contracts for work that has not yet been performed. As of September 30, 2018, the aggregate amount of the transaction price allocated to remaining performance obligations was \$1.2 billion. We expect to recognize revenue on approximately half and three-quarters of the remaining performance obligations over the next 12 and 24 months, respectively, with the remainder recognized thereafter.

We do not disclose the value of unfulfilled performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts where revenue is a usage-based royalty promised in exchange for a license of intellectual property.

Costs to Obtain a Contract

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that certain sales commission programs meet the requirements to be capitalized. Total capitalized costs to obtain a contract were \$82 million as of September 30, 2018, and is included in prepaid and other current assets and other non-current assets on our consolidated balance sheets. The asset will be amortized over a period consistent with the transfer to the customer of the goods or services to which the asset relates, calculated based on the customer term and the average life of the products and services underlying the contracts. The expense is recorded within selling and general expenses.

We expense sales commissions when incurred if the amortization period would have been one year or less. These costs are recorded within selling and general expenses.

Presentation of net periodic pension cost and net periodic postretirement benefit cost

During the first quarter of 2018, we adopted new accounting guidance requiring that net periodic benefit cost for our retirement and postretirement plans other than the service cost component be included outside of operating profit; these costs are included in other income, net in our consolidated statements of income.

The components of other income, net for the three and nine months ended September 30 are as follows:

(in millions)	Three Months		Nine Months	
	2018	2017	2018	2017
Other components of net periodic benefit cost	\$ (8)	\$ (9)	\$ (24)	\$ (26)
Net loss from investments ¹	2	—	2	—
Other income, net	\$ (6)	\$ (9)	\$ (22)	\$ (26)

¹ Primarily relates to the change in fair value of CRISIL's investment in Care Ratings Limited ("CARE"). The investment balance of CARE as of September 30, 2018 and December 31, 2017 is \$43 million and \$54 million, respectively, and is included in non-current assets in our consolidated balance sheets.

2. Acquisitions and Divestitures

Acquisitions

2018

In August of 2018, we acquired a 5.03% investment in FiscalNote, a technology innovator at the intersection of global business and government that provides advanced, data-driven Issues Management solutions. The investment in FiscalNote is not material to our consolidated financial statements.

In June of 2018, Market Intelligence acquired the RateWatch business ("RateWatch") from TheStreet, Inc., a B2B data business that offers subscription and custom reports on bank deposits, loans, fees and other product data to the financial services industry. The acquisition will complement and strengthen Market Intelligence's core capabilities of providing differentiated data and analytics solutions for the banking sector. The acquisition of RateWatch is not material to our consolidated financial statements.

In April of 2018, we acquired Kensho for approximately \$550 million, net of cash acquired, in a mix of cash and stock. Kensho is a leading-edge provider of next-generation analytics, artificial intelligence, machine learning, and data visualization systems to Wall Street's premier global banks and investment institutions, as well as the National Security community. The acquisition will strengthen S&P Global's emerging technology capabilities, enhance our ability to deliver essential, actionable insights that will transform the user experience for our clients, and accelerate efforts to improve efficiency and effectiveness of our core internal operations. The acquisition of Kensho is not material to our consolidated financial statements.

In February of 2018, Market Intelligence acquired Panjiva, Inc. ("Panjiva"), a privately-held company that provides deep, differentiated, sector-relevant insights on global supply chains, leveraging data science and technology to make sense of large, unstructured datasets. The acquisition will help strengthen the insights, products and data that we provide to our clients throughout the world. The acquisition of Panjiva is not material to our consolidated financial statements.

In January of 2018, CRISIL, included within our Ratings segment, acquired a 100% stake in Pragmatix Services Private Limited ("Pragmatix"), a data analytics company focused on delivering cutting edge solutions in the "data to intelligence" life cycle to the Banking, Financial Services and Insurance vertical. The acquisition will strengthen CRISIL's position as an agile, innovative and global analytics company. The acquisition of Pragmatix is not material to our consolidated financial statements.

2017

In August of 2017, we acquired a 6.02% investment in Algomi Limited ("Algomi"), an innovative fintech company focused on providing software-enabled liquidity solutions to both buy-side and sell-side firms within the credit markets. Our investment in Algomi will help facilitate product collaboration and enable future business expansion. We accounted for the investment in Algomi using the cost method of accounting. The investment with Algomi is not material to our consolidated financial statements.

In June of 2017, CRISIL, included within our Ratings segment, acquired 8.9% of the outstanding shares of CARE Ratings Limited ("CARE") from Canara Bank. CARE is a Securities and Exchange Board of India registered credit rating agency providing various rating and grading services in India whose shares are publicly traded on both the Bombay Stock Exchange and the National Stock Exchange of India. We accounted for the investment in CARE as available-for-sale using the fair value method of accounting. The investment in CARE is not material to our consolidated financial statements.

Divestitures

2018

During the nine months ended September 30, 2018, we did not complete any dispositions.

2017

In April of 2017, we signed a letter of intent to sell our facility at East Windsor, New Jersey. The fixed assets of the facility of \$5 million have been classified as held for sale, which is included in prepaid and other current assets in our consolidated balance sheet as of September 30, 2018.

In January of 2017, we completed the sale of Quant House SAS, included in our Market Intelligence segment, to QH Holdco, an independent third party.

3. Income Taxes

Comprehensive tax legislation, enacted through the Tax Cuts and Jobs Act (“TCJA”) on December 22, 2017, significantly modified U.S. corporate income tax law. Provisional amounts have been recorded in our financial statements based on the Company’s initial analysis of the TCJA. The Company may adjust these amounts in future periods if our interpretation of the TCJA changes or as additional guidance from the U.S. Treasury becomes available. We have elected to recognize the tax on Global Intangible Low Taxed Income (“GILTI”) as a period expense in the year the tax is incurred.

The effective income tax rate was 20.4% and 21.9% for the three and nine months ended September 30, 2018, respectively, and 27.3% and 28.5% for the three and nine months ended September 30, 2017, respectively. The decrease in 2018 was primarily due to the reduction of the U.S. federal corporate tax rate as a result of the enactment of the TCJA.

At the end of each interim period, we estimate the annual effective tax rate and apply that rate to our ordinary quarterly earnings. The tax expense or benefit related to significant unusual or infrequently occurring items that will be separately reported or reported net of their related tax effect, and are individually computed, is recognized in the interim period in which those items occur. In addition, the effect of changes in enacted tax laws or rates or tax status is recognized in the interim period in which the change occurs.

The Company is continuously subject to tax examinations in various jurisdictions. As of September 30, 2018 and December 31, 2017, the total amount of federal, state and local, and foreign unrecognized tax benefits was \$152 million and \$212 million, respectively, exclusive of interest and penalties. We recognize accrued interest and penalties related to unrecognized tax benefits in interest expense and operating-related expense, respectively. As of September 30, 2018 and December 31, 2017, we had \$32 million and \$59 million, respectively, of accrued interest and penalties associated with unrecognized tax benefits. The reduction in uncertain tax positions and associated accrued interest relates primarily to settlements with various tax authorities. Based on the current status of income tax audits, we believe that the total amount of unrecognized tax benefits may decrease by approximately \$40 million in the next twelve months as a result of the resolution of tax examinations.

4. Debt

A summary of short-term and long-term debt outstanding is as follows:

(in millions)	September 30, 2018	December 31, 2017
2.5% Senior Notes, due 2018 ¹	\$ —	\$ 399
3.3% Senior Notes, due 2020 ²	698	697
4.0% Senior Notes, due 2025 ³	692	692
4.4% Senior Notes, due 2026 ⁴	892	892
2.95% Senior Notes, due 2027 ⁵	493	493
6.55% Senior Notes, due 2037 ⁶	396	396
4.5% Senior Notes, due 2048 ⁷	490	—
Total debt	3,661	3,569
Less: short-term debt including current maturities	—	399
Long-term debt	\$ 3,661	\$ 3,170

¹ We made a \$400 million early repayment of our 2.5% senior notes in June of 2018.

² Interest payments are due semiannually on February 14 and August 14, and as of September 30, 2018, the unamortized debt discount and issuance costs total \$2 million.

³ Interest payments are due semiannually on June 15 and December 15, and as of September 30, 2018, the unamortized debt discount and issuance costs total \$8 million.

⁴ Interest payments are due semiannually on February 15 and August 15, and as of September 30, 2018, the unamortized debt discount and issuance costs total \$8 million.

⁵ Interest payments are due semiannually on January 22 and July 22, and as of September 30, 2018, the unamortized debt discount and issuance costs total \$7 million.

⁶ Interest payments are due semiannually on May 15 and November 15, and as of September 30, 2018, the unamortized debt discount and issuance costs total \$4 million.

⁷ Interest payments are due semiannually on May 15 and November 15, beginning on November 15, 2018, and as of September 30, 2018, the unamortized debt discount and issuance costs total \$10 million.

The fair value of our total debt borrowings was \$3.8 billion as of September 30, 2018 and December 31, 2017, and was estimated based on quoted market prices.

On May 17, 2018, we issued \$500 million of 4.5% notes due in 2048. The notes are fully and unconditionally guaranteed by our wholly-owned subsidiary, Standard & Poor's Financial Services LLC. In June of 2018, we used the net proceeds to fund the redemption price of the \$400 million outstanding principal amount of our 2.5% senior notes due in August of 2018, and intend to use the balance for general corporate purposes.

We have the ability to borrow a total of \$1.2 billion through our commercial paper program, which is supported by our revolving \$1.2 billion five-year credit agreement (our "credit facility") that we entered into on June 30, 2017. This credit facility will terminate on June 30, 2022. As of September 30, 2018 and December 31, 2017, there were no commercial paper borrowings outstanding.

Depending on our corporate credit rating, we pay a commitment fee of 8 to 17.5 basis points for our credit facility, whether or not amounts have been borrowed. We currently pay a commitment fee of 10 basis points. The interest rate on borrowings under our credit facility is, at our option, calculated using rates that are primarily based on either the prevailing London Inter-Bank Offer Rate, the prime rate determined by the administrative agent or the Federal Funds Rate. For certain borrowings under this credit facility, there is also a spread based on our corporate credit rating.

Our credit facility contains certain covenants. The only financial covenant requires that our indebtedness to cash flow ratio, as defined in our credit facility, is not greater than 4 to 1, and this covenant level has never been exceeded.

5. Derivative Instruments

Our exposure to market risk includes changes in foreign exchange rates. We have operations in foreign countries where the functional currency is primarily the local currency. For international operations that are determined to be extensions of the parent company, the U.S. dollar is the functional currency. We typically have naturally hedged positions in most countries from a local currency perspective with offsetting assets and liabilities. As of September 30, 2018 and December 31, 2017, we have entered into foreign exchange forward contracts to mitigate or hedge the effect of adverse fluctuations in foreign currency exchange rates. Foreign currency forward contracts are recorded at fair value that is based on foreign currency exchange rates in active markets; therefore, we classify these derivative contracts within Level 2 of the fair value hierarchy. We do not enter into any derivative financial instruments for speculative purposes.

Undesignated Derivative Instruments

During the nine months ended September 30, 2018, we entered into foreign exchange forward contracts in order to mitigate the change in fair value of specific assets and liabilities in the consolidated balance sheet. These forward contracts do not qualify for hedge accounting. As of September 30, 2018 the aggregate notional value of these outstanding forward contracts was \$85 million. The fair value of these forward contracts are recorded in prepaid and other assets or other current liabilities in the consolidated balance sheet with their corresponding change in fair value recognized in selling and general expenses in the consolidated statement of income. The net loss recorded in selling and general expense for the three and nine months ended September 30, 2018 related to these contracts was \$3 million and \$15 million, respectively.

Cash Flow Hedges

During the nine months ended September 30, 2018 and the three months ended December 31, 2017, we entered into a series of foreign exchange forward contracts to hedge a portion of the Indian rupee, British pound, and Euro exposures through the third quarter of 2019 and the fourth quarter of 2018, respectively. These contracts are intended to offset the impact of movement of exchange rates on future revenue and operating costs and are scheduled to mature within twelve months. The changes in the fair value of these contracts are initially reported in accumulated other comprehensive loss in our consolidated balance sheet and are subsequently reclassified into revenue and selling and general expenses in the same period that the hedged transaction affects earnings.

As of September 30, 2018, we estimate that \$4 million of the net losses related to derivatives designated as cash flow hedges recorded in other comprehensive income (loss) is expected to be reclassified into earnings within the next twelve months. There was no material hedge ineffectiveness for the three and nine months ended September 30, 2018 and 2017. As of September 30, 2018 and September 30, 2017, the aggregate notional value of our outstanding foreign currency forward contracts was \$199 million and \$133 million, respectively.

The following table provides information on the location and fair value amounts of our cash flow hedges as of September 30, 2018 and December 31, 2017:

(in millions)		September 30, 2018	December 31, 2017
Balance Sheet Location			
Prepaid and other current assets	Foreign exchange forward contracts	\$ 1	\$ 3
Other current liabilities	Foreign exchange forward contracts	\$ (7)	\$ —

The following table provides information on the location and amounts of pre-tax gains (losses) on our cash flow hedges for the periods ended September 30:

Three Months

(in millions)	Gain (Loss) Recognized in Accumulated Other Comprehensive Loss (effective portion)		Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (effective portion)	Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (effective portion)	
	2018	2017		2018	2017
Cash flow hedges - designated as hedging instruments					
Foreign exchange forward contracts	\$ (3)	\$ 3	Revenue, Selling and general expenses	\$ (2)	\$ 2

Nine Months

(in millions)	Gain (Loss) Recognized in Accumulated Other Comprehensive Loss (effective portion)		Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (effective portion)	Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (effective portion)	
	2018	2017		2018	2017
Cash flow hedges - designated as hedging instruments					
Foreign exchange forward contracts	\$ (6)	\$ 2	Revenue, Selling and general expenses	\$ (3)	\$ 6

The activity related to the change in unrealized gains (losses) in accumulated other comprehensive loss was as follows for the periods ended September 30:

(in millions)	Three Months		Nine Months	
	2018	2017	2018	2017
Net unrealized (losses) gains on cash flow hedges, net of taxes, beginning of period	\$ (1)	\$ 1	\$ 2	\$ 2
Change in fair value, net of tax	(5)	5	(9)	8
Reclassification into earnings, net of tax	2	(2)	3	(6)
Net unrealized (losses) gains on cash flow hedges, net of taxes, end of period	\$ (4)	\$ 4	\$ (4)	\$ 4

6. Employee Benefits

We maintain a number of active defined contribution retirement plans for our employees. The majority of our defined benefit plans are frozen. As a result, no new employees will be permitted to enter these plans and no additional benefits for current participants in the frozen plans will be accrued.

We have supplemental benefit plans providing senior management with supplemental retirement, disability and death benefits. Certain supplemental retirement benefits are based on final monthly earnings. In addition, we sponsor a voluntary 401(k) plan under which we may match employee contributions up to certain levels of compensation as well as profit-sharing plans under which we contribute a percentage of eligible employees' compensation to the employees' accounts.

We also provide certain medical, dental and life insurance benefits for active and retired employees and eligible dependents. The medical and dental plans and supplemental life insurance plan are contributory, while the basic life insurance plan is noncontributory. We generally do not prefund any of these plans.

We recognize the funded status of our defined benefit retirement and postretirement plans in the consolidated balance sheets, with a corresponding adjustment to accumulated other comprehensive loss, net of taxes. The amounts in accumulated other comprehensive loss represent unrecognized actuarial losses and unrecognized prior service costs. These amounts will be subsequently recognized as net periodic benefit cost pursuant to our accounting policy for amortizing such amounts.

Net periodic benefit cost for our retirement and postretirement plans other than the service cost component are included in other income, net in our consolidated statements of income.

The components of net periodic benefit cost for our retirement plans and postretirement plans for the periods ended September 30 are as follows:

(in millions)	Three Months		Nine Months	
	2018	2017	2018	2017
Service cost	\$ 1	\$ 1	\$ 2	\$ 2
Interest cost	18	19	54	56
Expected return on assets	(31)	(32)	(94)	(95)
Amortization of prior service credit / actuarial loss	4	4	13	12
Net periodic benefit cost	\$ (8)	\$ (8)	\$ (25)	\$ (25)

Net periodic benefit cost related to our postretirement plans reflected in the table above was not material for the three and nine months ended September 30, 2018 and 2017, respectively.

As discussed in our Form 10-K, we changed certain discount rate assumptions for our retirement and postretirement plans and our expected return on assets assumption for our retirement plans, which became effective on January 1, 2018. The effect of the assumption changes on retirement and postretirement expense for the three and nine months ended September 30, 2018 did not have a material impact to our financial position, results of operations or cash flows.

In the first nine months of 2018, we contributed \$7 million to our retirement plans and expect to make additional required contributions of approximately \$2 million to our retirement plans during the remainder of the year. We may elect to make additional non-required contributions depending on investment performance and the pension plan status in the fourth quarter of 2018.

7. Stock-Based Compensation

We issue stock-based incentive awards to our eligible employees and Directors under the 2002 Employee Stock Incentive Plan and a Director Deferred Stock Ownership Plan. The 2002 Employee Stock Incentive Plan permits the granting of nonqualified stock options, stock appreciation rights, performance stock, restricted stock and other stock-based awards. In 2018, we also made a one-time issuance of incentive stock options under the 2002 Employee Stock Incentive Plan to replace Kensho employees' stock options that were assumed in connection with our acquisition of Kensho in April of 2018.

Stock-based compensation for the periods ended September 30 is as follows:

(in millions)	Three Months		Nine Months	
	2018	2017	2018	2017
Stock option expense	\$ 1	\$ 1	\$ 3	\$ 2
Restricted stock and unit awards expense	26	23	70	63
Total stock-based compensation expense	\$ 27	\$ 24	\$ 73	\$ 65

During the nine months ended September 30, 2018, the Company granted 0.2 million shares of employee stock options, which had a weighted average grant date value of \$128.46 per share based on the lattice-based option-pricing model. The Company also granted 0.7 million shares of restricted stock and unit awards, which had a weighted average grant date fair value of \$170.44 per share.

Total unrecognized compensation expense related to unvested stock option awards and unvested restricted stock and unit awards as of September 30, 2018 was \$3 million and \$99 million, respectively, which is expected to be recognized over a weighted average period of 2.3 years and 2.1 years, respectively.

8. Equity

Stock Repurchases

On December 4, 2013, the Board of Directors approved a share repurchase program authorizing the purchase of 50 million shares, which was approximately 18% of the total shares of our outstanding common stock at that time.

In any period, share repurchase transactions could result in timing differences between the recognition of those repurchases and their settlement for cash. This could result in a difference between the cash used for financing activities related to common stock repurchased and the comparable change in equity.

Share repurchases for the periods ended September 30 were as follows:

(in millions, except average price)	Three Months		Nine Months	
	2018	2017	2018	2017
Total number of shares purchased ¹	0.7	2.8	5.7	5.4
Average price paid per share ²	\$ 205.11	\$ —	\$ 180.94	\$ 133.01
Total cash utilized ³	\$ 13	\$ 500	\$ 1,113	\$ 846

¹ The three and nine months ended September 30, 2018 and 2017 include shares received as part of our accelerated share repurchase agreement described in more detail below.

² Average price paid per share information does not include the accelerated share repurchase agreement as discussed in more detail below.

³ During the third quarter of 2018, we repurchased shares for approximately \$6 million, which settled in October 2018. Cash used for financing activities only reflects those shares which settled during the nine months ended September 30, 2018 resulting in \$1,108 million of cash used to repurchase shares.

Our purchased shares may be used for general corporate purposes, including the issuance of shares for stock compensation plans and to offset the dilutive effect of the exercise of employee stock options. As of September 30, 2018, approximately 13.3 million shares remained available under the current share repurchase program which has no expiration date and purchases under this program may be made from time to time on the open market and in private transactions, depending on market conditions.

Accelerated Share Repurchase Agreement

We entered into an accelerated share repurchase ("ASR") agreement with a financial institution on March 6, 2018 to initiate share repurchases aggregating \$1 billion. The ASR agreement was structured as an uncapped ASR agreement in which we paid \$1 billion and received an initial delivery of approximately 4.5 million shares, representing 85% of the \$1 billion at a price equal to the then market price of the Company. We completed the ASR agreement on September 25, 2018 and received an additional 0.6 million shares. We repurchased a total of 5.1 million shares under the ASR agreement for an average purchase price of \$197.49 per share. The total number of shares repurchased under the ASR agreement is equal to \$1 billion divided by the volume weighted-average share price, less a discount. The repurchased shares are held in Treasury. The ASR agreement was executed under the current share repurchase program, approved by the Board of Directors on December 4, 2013.

Redeemable Noncontrolling Interests

The agreement with the minority partners that own 27% of our S&P Dow Jones Indices LLC joint venture contains redemption features whereby interests held by minority partners are redeemable either (i) at the option of the holder or (ii) upon the occurrence of an event that is not solely within our control. Specifically, under the terms of the operating agreement of S&P Dow Jones Indices LLC, after December 31, 2017, CME Group and CME Group Index Services LLC ("CGIS") has the right at any time to sell, and we are obligated to buy, at least 20% of their share in S&P Dow Jones Indices LLC. In addition, in the event there is a change of control of the Company, for the 15 days following a change in control, CME Group and CGIS will have the right to put their interest to us at the then fair value of CME Group's and CGIS' minority interest.

If interests were to be redeemed under this agreement, we would generally be required to purchase the interest at fair value on the date of redemption. This interest is presented on the consolidated balance sheets outside of equity under the caption "Redeemable noncontrolling interest" with an initial value based on fair value for the portion attributable to the net assets we acquired, and based on our historical cost for the portion attributable to our S&P Index business. We adjust the redeemable noncontrolling interest each reporting period to its estimated redemption value, but never less than its initial fair value, considering a combination of an income and market valuation approach. Our income and market valuation approaches incorporate Level 3 fair value measures for instances when observable inputs are not available, including assumptions related to expected future net cash flows, long-term growth rates, the timing and nature of tax attributes, and the redemption features. Any adjustments to the redemption value will impact retained income.

Noncontrolling interests that do not contain such redemption features are presented in equity.

Changes to redeemable noncontrolling interest during the nine months ended September 30, 2018 were as follows:

(in millions)	
Balance as of December 31, 2017	\$ 1,350
Net income attributable to noncontrolling interest	112
Distributions payable to noncontrolling interest	(93)
Redemption value adjustment	116
Balance as of September 30, 2018	<u>\$ 1,485</u>

Accumulated Other Comprehensive Loss

The following table summarizes the changes in the components of accumulated other comprehensive loss for the nine months ended September 30, 2018:

(in millions)	Foreign Currency Translation Adjustment	Pension and Postretirement Benefit Plans	Unrealized Gain (Loss) on Forward Exchange Contracts	Unrealized Gain (Loss) on Investments	Accumulated Other Comprehensive Loss
Balance as of December 31, 2017	\$ (239)	\$ (402)	\$ 2	\$ (10)	\$ (649)
Other comprehensive income before reclassifications	(54)	(14)	(9)	—	(77)
Reclassifications from accumulated other comprehensive loss to net earnings	—	10 ¹	3 ²	—	13
Net other comprehensive income	(54)	(4)	(6)	—	(64)
Amounts reclassified to retained income	—	—	—	10 ³	10
Balance as of September 30, 2018	<u>\$ (293)</u>	<u>\$ (406)</u>	<u>\$ (4)</u>	<u>\$ —</u>	<u>\$ (703)</u>

¹ See Note 6 — *Employee Benefits* for additional details of items reclassified from accumulated other comprehensive loss to net earnings.

² See Note 5 — *Derivative Instruments* for additional details of items reclassified from accumulated other comprehensive loss to net earnings.

³ On January 1, 2018, the unrealized loss on investments was reclassified to retained income. See Note 13 — *Recently Issued or Adopted Accounting Standards* for additional details.

The net actuarial loss and prior service credit related to pension and other postretirement benefit plans included in other comprehensive income is net of a tax provision of \$2 million for the nine months ended September 30, 2018.

9. Earnings Per Share

Basic earnings per common share (“EPS”) is computed by dividing net income attributable to the common shareholders of the Company by the weighted-average number of common shares outstanding. Diluted EPS is computed in the same manner as basic EPS, except the number of shares is increased to include additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued. Potential common shares consist primarily of stock options and restricted performance shares calculated using the treasury stock method.

The calculation of basic and diluted EPS for the periods ended September 30 is as follows:

(in millions, except per share amounts)	Three Months		Nine Months	
	2018	2017	2018	2017
Amounts attributable to S&P Global Inc. common shareholders:				
Net income	\$ 495	\$ 414	\$ 1,447	\$ 1,234
Basic weighted-average number of common shares outstanding	251.3	255.5	251.6	257.0
Effect of stock options and other dilutive securities	2.2	2.4	2.1	2.5
Diluted weighted-average number of common shares outstanding	253.5	257.9	253.7	259.5
Earnings per share attributable to S&P Global Inc. common shareholders:				
Net income:				
Basic	\$ 1.97	\$ 1.62	\$ 5.75	\$ 4.80
Diluted	\$ 1.95	\$ 1.61	\$ 5.70	\$ 4.75

We have certain stock options and restricted performance shares that are potentially excluded from the computation of diluted EPS. The effect of the potential exercise of stock options is excluded when the average market price of our common stock is lower than the exercise price of the related option during the period or when a net loss exists because the effect would have been antidilutive. Additionally, restricted performance shares are excluded because the necessary vesting conditions had not been met or when a net loss exists. For the three and nine months ended September 30, 2018 and 2017, there were no stock options excluded. Restricted performance shares outstanding of 0.8 million and 0.9 million as of September 30, 2018 and 2017, respectively, were excluded.

10. Restructuring

During 2018 and 2017, we continued to evaluate our cost structure and further identified cost savings associated with streamlining our management structure and our decision to exit non-strategic businesses. Our 2018 and 2017 restructuring plans consisted of a company-wide workforce reduction of approximately 70 and 520 positions, respectively, and are further detailed below. The charges for the restructuring plans are classified as selling and general expenses within the consolidated statements of income and the reserves are included in other current liabilities in the consolidated balance sheets.

In certain circumstances, reserves are no longer needed because of efficiencies in carrying out the plans or because employees previously identified for separation resigned from the Company and did not receive severance or were reassigned due to circumstances not foreseen when the original plans were initiated. In these cases, we reverse reserves through the consolidated statements of income during the period when it is determined they are no longer needed.

The initial restructuring charge recorded and the ending reserve balance as of September 30, 2018 by segment is as follows:

(in millions)	2018 Restructuring Plans		2017 Restructuring Plans	
	Initial Charge Recorded	Ending Reserve Balance	Initial Charge Recorded	Ending Reserve Balance
Ratings	\$ —	\$ —	\$ 25	\$ 10
Market Intelligence	2	2	8	2
Platts	—	—	1	—
Indices	—	—	—	—
Corporate	7	7	10	3
Total	\$ 9	\$ 9	\$ 44	\$ 15

We recorded a pre-tax restructuring charge of \$9 million primarily related to employee severance charges for the 2018 restructuring plan during the nine months ended September 30, 2018. The ending reserve balance for the 2017 restructuring plan was \$39 million as of December 31, 2017. For the nine months ended September 30, 2018, we have reduced the reserve for the 2017 restructuring plan by \$24 million. The reductions primarily related to cash payments for employee severance charges.

11. Segment and Related Information

We have four reportable segments: Ratings, Market Intelligence, Platts and Indices. Our Chief Executive Officer is our chief operating decision-maker and evaluates performance of our segments and allocates resources based primarily on operating profit. Segment operating profit does not include Corporate Unallocated, other income, net, or interest expense, net, as these are amounts that do not affect the operating results of our reportable segments.

In April of 2018, we acquired Kensho for approximately \$550 million, net of cash acquired, in a mix of cash and stock. The results of Kensho, an operating segment of the Company, are included in Corporate revenue and Corporate Unallocated for financial reporting purposes. See Note 2 — *Acquisitions and Divestitures* for additional information.

Effective beginning with the first quarter of 2018, we began reporting the financial results of Market Intelligence and Platts as separate reportable segments consistent with the changes to our organizational structure and how our Chief Executive Officer evaluates the performance of these segments. Our historical segment reporting has been retroactively revised to reflect the current organizational structure.

A summary of operating results for the periods ended September 30 is as follows:

Revenue	Three Months		Nine Months	
	2018	2017	2018	2017
(in millions)				
Ratings	\$ 700	\$ 739	\$ 2,223	\$ 2,199
Market Intelligence	464	422	1,349	1,238
Platts	204	193	604	577
Indices	205	187	627	542
Corporate	5	—	10	—
Intersegment elimination ¹	(32)	(28)	(92)	(81)
Total revenue	\$ 1,546	\$ 1,513	\$ 4,721	\$ 4,475

Operating Profit	Three Months		Nine Months	
	2018	2017	2018	2017
(in millions)				
Ratings ²	\$ 395	\$ 375	\$ 1,173	\$ 1,144
Market Intelligence ³	148	123	388	339
Platts ⁴	98	84	285	245
Indices ⁵	134	119	416	352
Total reportable segments	775	701	2,262	2,080
Corporate Unallocated ⁶	(71)	(52)	(176)	(124)
Total operating profit	\$ 704	\$ 649	\$ 2,086	\$ 1,956

¹ Revenue for Ratings and expenses for Market Intelligence include an intersegment royalty charged to Market Intelligence for the rights to use and distribute content and data developed by Ratings.

² Operating profit includes legal settlement expenses of \$73 million for the nine months ended September 30, 2018. Operating profit includes employee severance charges of \$15 million for the three and nine months ended September 30, 2017 and legal settlement expenses of \$2 million for the nine months ended September 30, 2017. Operating profit also includes amortization of intangibles from acquisitions of \$1 million for the three months ended September 30, 2018 and 2017 and \$2 million and \$3 million for the nine months ended September 30, 2018 and 2017, respectively.

³ Operating profit includes restructuring charges related to a business disposition and employee severance charges of \$2 million for the three and nine months ended September 30, 2018. Operating profit includes a non-cash disposition-related adjustment of \$4 million and employee severance charges of \$4 million for the nine months ended September 30, 2017. Operating profit includes amortization of intangibles from acquisitions of \$18 million and \$17 million for the three months ended September 30, 2018 and 2017, respectively, and \$54 million and \$52 million for the nine months ended September 30, 2018 and 2017, respectively.

⁴ Operating profit includes amortization of intangibles from acquisitions of \$4 million and \$5 million for the three months ended September 30, 2018 and 2017, respectively, and \$13 million for the nine months ended September 30, 2018 and 2017. Operating profit includes a non-cash acquisition-related adjustment of \$11 million, a charge to exit a leased facility of \$6 million, an asset write-off of \$2 million, and employee severance charges of \$1 million for the nine months ended September 30, 2017.

⁵ Operating profit includes amortization of intangibles from acquisitions of \$2 million and \$1 million for the three months ended September 30, 2018 and 2017, respectively, and \$5 million and \$4 million for the nine months ended September 30, 2018 and 2017, respectively.

⁶ Operating loss for the three and nine months months ended September 30, 2018 includes Kensho retention related expense of \$11 million and \$23 million, respectively, lease impairments of \$11 million and employee severance charges of \$7 million. Operating loss also includes amortization of intangibles from acquisitions of \$8 million and \$17 million for the three and nine months ended September 30, 2018, respectively. Operating loss for the three and nine months ended September 30, 2017 includes employee severance charges of \$4 million.

The following provides revenue by geographic region for the periods ended September 30:

(in millions)	Three Months		Nine Months	
	2018	2017	2018	2017
U.S.	\$ 932	\$ 914	\$ 2,843	\$ 2,726
European region	380	361	1,164	1,068
Asia	160	157	475	432
Rest of the world	74	81	239	249
Total	\$ 1,546	\$ 1,513	\$ 4,721	\$ 4,475

See Note 2 — *Acquisitions and Divestitures* and Note 10 — *Restructuring* for additional actions that impacted the segment operating results.

12. Commitments and Contingencies

Related Party Agreements

In March of 2018, the Company made a \$20 million contribution to the S&P Global Foundation.

In June of 2012, we entered into a license agreement (the "License Agreement") with the holder of S&P Dow Jones Indices LLC noncontrolling interest, CME Group, which replaced the 2005 license agreement between Indices and CME Group. Under the terms of the License Agreement, S&P Dow Jones Indices LLC receives a share of the profits from the trading and clearing of CME Group's equity index products. During the three and nine months ended September 30, 2018, S&P Dow Jones Indices LLC earned \$28 million and \$82 million, respectively, of revenue under the terms of the License Agreement. During the three and nine months ended September 30, 2017, S&P Dow Jones Indices LLC earned \$18 million and \$56 million, respectively, of revenue under the terms of the License Agreement. The entire amount of this revenue is included in our consolidated statement of income and the portion related to the 27% noncontrolling interest is removed in net income attributable to noncontrolling interests.

Legal and Regulatory Matters

In the normal course of business both in the United States and abroad, the Company and its subsidiaries are defendants in a number of legal proceedings and are often the subject of government and regulatory proceedings, investigations and inquiries. Many of these proceedings, investigations and inquiries relate to the ratings activity of S&P Global Ratings brought by issuers and alleged purchasers of rated securities. In addition, various government and self-regulatory agencies frequently make inquiries and conduct investigations into our compliance with applicable laws and regulations, including those related to ratings activities and antitrust matters. For example, as a nationally recognized statistical rating organization registered with the SEC under Section 15E of the Securities Exchange Act of 1934, S&P Global Ratings is in ongoing communication with the staff of the SEC regarding compliance with its extensive obligations under the federal securities laws. Although S&P Global Ratings seeks to promptly address any compliance issues that it detects or that the staff of the SEC raises, there can be no assurance that the SEC will not seek remedies against S&P Global Ratings for one or more compliance deficiencies. Any of these proceedings, investigations or inquiries could ultimately result in adverse judgments, damages, fines, penalties or activity restrictions, which could adversely impact our consolidated financial condition, cash flows, business or competitive position.

S&P Global Ratings

In the second quarter the Company entered into an agreement to settle certain civil cases in Australia against the Company and certain of its subsidiaries relating to alleged investment losses in collateralized debt obligations rated by S&P Global Ratings. The settlement was approved by the court in August 2018.

13. Recently Issued or Adopted Accounting Standards

In August of 2018, FASB issued guidance to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance is effective for reporting periods beginning after December 15, 2019; however early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

In February of 2018, FASB issued guidance which allows companies to reclassify certain stranded income tax effects resulting from the enactment of the TCJA from accumulated other comprehensive income to retained earnings. The guidance is effective for reporting periods after December 15, 2018; however, early adoption is permitted. We are currently evaluating the impact of the adoption of this guidance on our consolidated financial statements.

In August of 2017, FASB issued guidance to enhance the hedge accounting model for both nonfinancial and financial risk components, which includes amendments to address certain aspects of recognition and presentation disclosure. The guidance is effective for reporting periods beginning after December 15, 2018. We do not expect this guidance to have a significant impact on our consolidated financial instruments.

In May of 2017, FASB issued guidance that provides clarification on when modification accounting should be used for changes to the terms or conditions of a share-based payment award. This guidance does not change the accounting for modifications but clarifies when modification accounting guidance should be applied. Under the new guidance, an entity should apply modification accounting in response to a change in the terms and conditions of an entity's share-based payment awards unless three newly specified criteria are met. The guidance was effective on January 1, 2018, and the adoption of this guidance did not have a significant impact on our consolidated financial statements.

In March of 2017, FASB issued guidance to enhance the presentation of net periodic pension cost and net periodic postretirement benefit cost. The guidance requires employers to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period, and requires the other components of net periodic pension cost and net periodic postretirement benefit cost to be presented in the income statement separately from the service cost component outside a subtotal of income from operations. Additionally, only the service cost component is eligible for capitalization. We adopted the guidance on January 1, 2018. The change in capitalization requirement did not have a material impact on our consolidated financial statements. As a result of the adoption of the guidance, net periodic benefit cost for our retirement and postretirement plans other than the service cost component are included in other income, net in our consolidated statements of income. See Note 6 — *Employee Benefits* for additional information related to our retirement and postretirement plans.

In January of 2017, the FASB issued guidance that simplifies the subsequent measurement of goodwill and eliminates Step 2 from the goodwill impairment test. Under the new guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The guidance is effective for reporting periods beginning after December 15, 2019; however, early adoption is permitted. We do not expect this guidance to have a significant impact on our consolidated financial statements.

In January of 2017, the FASB issued guidance that clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance was effective on January 1, 2018, and the adoption of this guidance did not have a significant impact on our consolidated financial statements.

In November of 2016, the FASB issued guidance requiring that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. We adopted this guidance on January 1, 2018. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

In August of 2016, the FASB issued guidance providing amendments to eight specific statement of cash flows classification issues. The guidance was effective on January 1, 2018, and the adoption of this guidance did not have a significant impact on our consolidated financial statements.

In February of 2016, the FASB issued guidance that amends the accounting for leases. Under the new guidance, a lessee will now recognize a "right of use" asset with an offsetting lease liability, with expenses recognized similar to current lease accounting. The guidance is effective for reporting periods beginning after December 15, 2018 with early adoption permitted. In July of 2018, the FASB issued a subsequent update providing entities an additional transition method to adopt the new lease standard, allowing entities to adopt the standard prospectively without restating prior period's financial statements. We expect to elect this transition method upon adoption on January 1, 2019. We have also elected to apply the "package" of practical expedients permitting entities to forgo reassessment of (1) the lease classification of expired or existing leases, (2) whether any expired or existing contracts contain leases, and (3) the accounting for initial direct costs of existing leases.

As part of our implementation plan, we are in the process of executing a number of workflows including a qualitative and quantitative accounting analysis of our significant lease agreements in the construct of the new standard, and have refined our processes, procedures, and controls to capture the complete population of our leases. In addition we selected and are in the process of implementing a third party software solution that will systematically capture, process, and record both the initial and ongoing financial statement impact of the new standard. Our preliminary quantitative analysis of the financial statement impact indicates the adoption of the new standard will have a material impact on our consolidated balance sheet; however, we do not expect that the standard will have a material impact on our consolidated statements of income or cash flows.

In January of 2016, the FASB issued guidance to enhance the reporting model for financial instruments, which includes amendments to address certain aspects of recognition, measurement, presentation and disclosure. We adopted this guidance on January 1, 2018. We recorded a reduction to opening retained earnings and an increase to accumulated other comprehensive income of \$10 million as of January 1, 2018 due to the adoption of this guidance. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

In May of 2014, the FASB and the International Accounting Standards Board ("IASB") issued jointly a converged standard on the recognition of revenue from contracts with customers, which is intended to improve the financial reporting of revenue and comparability of the top line in financial statements globally. The core principle of the new standard is for the recognition of revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which the company expects to be entitled in exchange for those goods or services. The new standard also results in enhanced revenue disclosures, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. We adopted the new revenue standard effective January 1, 2018 using the modified retrospective transition method. See Note 1— *Nature of Operations and Basis of Presentation* for further details.

14. Condensed Consolidating Financial Statements

On May 17, 2018, we issued \$500 million of 4.5% notes due in 2048. On September 22, 2016, we issued \$500 million of 2.95% senior notes due in 2027. On May 26, 2015, we issued \$700 million of 4.0% senior notes due in 2025. On August 18, 2015, we issued \$2.0 billion of senior notes, consisting of \$400 million of 2.5% senior notes due in 2018, \$700 million of 3.3% senior notes due in 2020 and \$900 million of 4.4% senior notes due in 2026. See Note 4 — *Debt* for additional information.

The senior notes described above are fully and unconditionally guaranteed by Standard & Poor's Financial Services LLC, a 100% owned subsidiary of the Company. The following condensed consolidating financial statements present the results of operations, financial position and cash flows of S&P Global Inc., Standard & Poor's Financial Services LLC, and the Non-Guarantor Subsidiaries of S&P Global Inc. and Standard & Poor's Financial Services LLC, and the eliminations necessary to arrive at the information for the Company on a consolidated basis.

Statement of Income						
Three Months Ended September 30, 2018						
(Unaudited)						
(in millions)	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated	
Revenue	\$ 196	\$ 422	\$ 967	\$ (39)	\$ 1,546	
Expenses:						
Operating-related expenses	26	110	309	(39)	406	
Selling and general expenses	42	79	262	—	383	
Depreciation	9	2	9	—	20	
Amortization of intangibles	—	—	33	—	33	
Total expenses	77	191	613	(39)	842	
Operating profit	119	231	354	—	704	
Other income, net	(5)	—	(1)	—	(6)	
Interest expense (income), net	39	1	(2)	—	38	
Non-operating intercompany transactions	90	(11)	(83)	4	—	
Income before taxes on income	(5)	241	440	(4)	672	
(Benefit) provision for taxes on income	(65)	94	108	—	137	
Equity in net income of subsidiaries	440	—	—	(440)	—	
Net income	\$ 500	\$ 147	\$ 332	\$ (444)	\$ 535	
Less: net income attributable to noncontrolling interests	—	—	—	(40)	(40)	
Net income attributable to S&P Global Inc.	\$ 500	\$ 147	\$ 332	\$ (484)	\$ 495	
Comprehensive income	\$ 490	\$ 147	\$ 341	\$ (441)	\$ 537	

Statement of Income						
Nine Months Ended September 30, 2018						
(Unaudited)						
(in millions)	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated	
Revenue	\$ 587	\$ 1,318	\$ 2,929	\$ (113)	\$ 4,721	
Expenses:						
Operating-related expenses	108	333	962	(113)	1,290	
Selling and general expenses	149	222	823	—	1,194	
Depreciation	24	6	30	—	60	
Amortization of intangibles	—	—	91	—	91	
Total expenses	281	561	1,906	(113)	2,635	
Operating profit	306	757	1,023	—	2,086	
Other income, net	(21)	—	(1)	—	(22)	
Interest expense (income), net	105	2	(9)	—	98	
Non-operating intercompany transactions	277	(54)	(1,538)	1,315	—	
Income before taxes on income	(55)	809	2,571	(1,315)	2,010	
(Benefit) provision for taxes on income	(52)	240	252	—	440	
Equity in net income of subsidiaries	2,804	—	—	(2,804)	—	
Net income	\$ 2,801	\$ 569	\$ 2,319	\$ (4,119)	\$ 1,570	
Less: net income attributable to noncontrolling interests	—	—	—	(123)	(123)	
Net income attributable to S&P Global Inc.	\$ 2,801	\$ 569	\$ 2,319	\$ (4,242)	\$ 1,447	
Comprehensive income	\$ 2,781	\$ 569	\$ 2,274	\$ (4,118)	\$ 1,506	

Statement of Income						
Three Months Ended September 30, 2017						
(Unaudited)						
(in millions)	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated	
Revenue	\$ 184	\$ 435	\$ 929	\$ (35)	\$ 1,513	
Expenses:						
Operating-related expenses	6	124	324	(35)	419	
Selling and general expenses	70	101	228	—	399	
Depreciation	9	3	10	—	22	
Amortization of intangibles	—	—	24	—	24	
Total expenses	85	228	586	(35)	864	
Operating profit	99	207	343	—	649	
Other income, net	(6)	—	(3)	—	(9)	
Interest expense (income), net	41	—	(4)	—	37	
Non-operating intercompany transactions	91	(13)	(91)	13	—	
Income before taxes on income	(27)	220	441	(13)	621	
(Benefit) provision for taxes on income	(45)	107	107	—	169	
Equity in net income of subsidiaries	409	—	—	(409)	—	
Net income	\$ 427	\$ 113	\$ 334	\$ (422)	\$ 452	
Less: net income attributable to noncontrolling interests	—	—	—	(38)	(38)	
Net income attributable to S&P Global Inc.	\$ 427	\$ 113	\$ 334	\$ (460)	\$ 414	
Comprehensive income	\$ 405	\$ 113	\$ 382	\$ (427)	\$ 473	

Statement of Income

Nine Months Ended September 30, 2017

(Unaudited)

(in millions)	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non- Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated
Revenue	\$ 545	\$ 1,320	\$ 2,712	\$ (102)	\$ 4,475
Expenses:					
Operating-related expenses	58	359	947	(102)	1,262
Selling and general expenses	146	273	704	—	1,123
Depreciation	23	9	29	—	61
Amortization of intangibles	—	—	73	—	73
Total expenses	227	641	1,753	(102)	2,519
Operating profit	318	679	959	—	1,956
Other income, net	(18)	—	(8)	—	(26)
Interest expense (income), net	119	—	(9)	—	110
Non-operating intercompany transactions	270	(55)	(1,717)	1,502	—
Income before taxes on income	(53)	734	2,693	(1,502)	1,872
(Benefit) provision for taxes on income	(91)	325	299	—	533
Equity in net income of subsidiaries	2,697	—	—	(2,697)	—
Net income	\$ 2,735	\$ 409	\$ 2,394	\$ (4,199)	\$ 1,339
Less: net income attributable to noncontrolling interests	—	—	—	(105)	(105)
Net income attributable to S&P Global Inc.	\$ 2,735	\$ 409	\$ 2,394	\$ (4,304)	\$ 1,234
Comprehensive income	\$ 2,724	\$ 409	\$ 2,500	\$ (4,199)	\$ 1,434

Balance Sheet						
September 30, 2018						
(Unaudited)						
(in millions)	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non-Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 891	\$ —	\$ 1,267	\$ —	\$ 2,158	
Restricted cash	—	—	45	—	45	
Accounts receivable, net of allowance for doubtful accounts	128	166	943	—	1,237	
Intercompany receivable	567	1,929	2,819	(5,315)	—	
Prepaid and other current assets	86	(3)	105	—	188	
Total current assets	1,672	2,092	5,179	(5,315)	3,628	
Property and equipment, net of accumulated depreciation	192	—	83	—	275	
Goodwill	261	—	3,274	9	3,544	
Other intangible assets, net	—	—	1,420	—	1,420	
Investments in subsidiaries	7,971	6	7,997	(15,974)	—	
Intercompany loans receivable	124	—	1,771	(1,895)	—	
Other non-current assets	226	44	246	—	516	
Total assets	\$ 10,446	\$ 2,142	\$ 19,970	\$ (23,175)	\$ 9,383	
LIABILITIES AND EQUITY						
Current liabilities:						
Accounts payable	\$ 81	\$ 18	\$ 95	\$ —	\$ 194	
Intercompany payable	4,168	55	1,092	(5,315)	—	
Accrued compensation and contributions to retirement plans	112	35	160	—	307	
Income taxes currently payable	9	—	83	—	92	
Unearned revenue	272	242	1,062	—	1,576	
Other current liabilities	192	12	144	—	348	
Total current liabilities	4,834	362	2,636	(5,315)	2,517	
Long-term debt	3,661	—	—	—	3,661	
Intercompany loans payable	109	—	1,786	(1,895)	—	
Pension and other postretirement benefits	176	—	49	—	225	
Other non-current liabilities	210	60	267	—	537	
Total liabilities	8,990	422	4,738	(7,210)	6,940	
Redeemable noncontrolling interest	—	—	—	1,485	1,485	
Equity:						
Common stock	412	—	2,275	(2,275)	412	
Additional paid-in capital	155	614	10,223	(10,095)	897	
Retained income	11,882	1,106	3,209	(5,194)	11,003	
Accumulated other comprehensive loss	(290)	—	(461)	48	(703)	
Less: common stock in treasury	(10,703)	—	(15)	14	(10,704)	
Total equity - controlling interests	1,456	1,720	15,231	(17,502)	905	
Total equity - noncontrolling interests	—	—	1	52	53	
Total equity	1,456	1,720	15,232	(17,450)	958	
Total liabilities and equity	\$ 10,446	\$ 2,142	\$ 19,970	\$ (23,175)	\$ 9,383	

Balance Sheet						
December 31, 2017						
(in millions)	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non-Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 632	\$ —	\$ 2,145	\$ —	\$ 2,777	
Restricted cash	—	—	2	—	2	
Accounts receivable, net of allowance for doubtful accounts	138	152	1,029	—	1,319	
Intercompany receivable	768	1,784	2,527	(5,079)	—	
Prepaid and other current assets	143	(3)	86	—	226	
Total current assets	1,681	1,933	5,789	(5,079)	4,324	
Property and equipment, net of accumulated depreciation	158	10	107	—	275	
Goodwill	261	—	2,719	9	2,989	
Other intangible assets, net	—	—	1,388	—	1,388	
Investments in subsidiaries	8,364	5	8,028	(16,397)	—	
Intercompany loans receivable	116	—	1,699	(1,815)	—	
Other non-current assets	215	61	174	(1)	449	
Total assets	\$ 10,795	\$ 2,009	\$ 19,904	\$ (23,283)	\$ 9,425	
LIABILITIES AND EQUITY						
Current liabilities:						
Accounts payable	\$ 79	\$ 23	\$ 93	\$ —	\$ 195	
Intercompany payable	3,433	492	1,154	(5,079)	—	
Accrued compensation and contributions to retirement plans	145	86	241	—	472	
Short-term debt	399	—	—	—	399	
Income taxes currently payable	2	—	75	—	77	
Unearned revenue	293	193	1,127	—	1,613	
Accrued legal settlements	—	2	105	—	107	
Other current liabilities	136	21	194	—	351	
Total current liabilities	4,487	817	2,989	(5,079)	3,214	
Long-term debt	3,170	—	—	—	3,170	
Intercompany loans payable	101	—	1,715	(1,816)	—	
Pension and other postretirement benefits	180	—	64	—	244	
Other non-current liabilities	376	74	229	—	679	
Total liabilities	8,314	891	4,997	(6,895)	7,307	
Redeemable noncontrolling interest	—	—	—	1,350	1,350	
Equity:						
Common stock	412	—	2,318	(2,318)	412	
Additional paid-in capital	(216)	602	9,256	(9,117)	525	
Retained income	12,156	516	3,782	(6,429)	10,025	
Accumulated other comprehensive loss	(269)	—	(426)	46	(649)	
Less: common stock in treasury	(9,602)	—	(23)	23	(9,602)	
Total equity - controlling interests	2,481	1,118	14,907	(17,795)	711	
Total equity - noncontrolling interests	—	—	—	57	57	
Total equity	2,481	1,118	14,907	(17,738)	768	
Total liabilities and equity	\$ 10,795	\$ 2,009	\$ 19,904	\$ (23,283)	\$ 9,425	

Statement of Cash Flows
Nine Months Ended September 30, 2018

(Unaudited)

(in millions)	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non-Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated
Operating Activities:					
Net income	\$ 2,801	\$ 569	\$ 2,319	\$ (4,119)	\$ 1,570
Adjustments to reconcile net income to cash provided by operating activities:					
Depreciation	24	6	30	—	60
Amortization of intangibles	—	—	91	—	91
Provision for losses on accounts receivable	1	1	14	—	16
Stock-based compensation	21	12	40	—	73
Other	33	—	8	—	41
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:					
Accounts receivable	10	(15)	67	—	62
Prepaid and other current assets	(11)	1	11	—	1
Accounts payable and accrued expenses	(31)	(58)	(78)	—	(167)
Unearned revenue	(20)	23	(75)	—	(72)
Accrued legal settlements	—	—	(180)	—	(180)
Other current liabilities	(15)	(8)	5	—	(18)
Net change in prepaid/accrued income taxes	51	2	9	—	62
Net change in other assets and liabilities	(123)	23	(38)	—	(138)
Cash provided by operating activities	<u>2,741</u>	<u>556</u>	<u>2,223</u>	<u>(4,119)</u>	<u>1,401</u>
Investing Activities:					
Capital expenditures	(63)	(14)	(11)	—	(88)
Acquisitions, net of cash acquired	—	—	(263)	—	(263)
Changes in short-term investments	—	—	5	—	5
Cash used for investing activities	<u>(63)</u>	<u>(14)</u>	<u>(269)</u>	<u>—</u>	<u>(346)</u>
Financing Activities:					
Proceeds from issuance of senior notes, net	489	—	—	—	489
Payments on senior notes	(403)	—	—	—	(403)
Dividends paid to shareholders	(379)	—	—	—	(379)
Distributions to noncontrolling interest holders	—	—	(116)	—	(116)
Purchase of CRISIL shares	—	—	(25)	—	(25)
Repurchase of treasury shares	(1,108)	—	—	—	(1,108)
Exercise of stock options	18	—	6	—	24
Employee withholding tax on share-based payments	(61)	—	—	—	(61)
Intercompany financing activities	(961)	(542)	(2,616)	4,119	—
Cash used for financing activities	<u>(2,405)</u>	<u>(542)</u>	<u>(2,751)</u>	<u>4,119</u>	<u>(1,579)</u>
Effect of exchange rate changes on cash from continuing operations	(14)	—	(38)	—	(52)
Net change in cash, cash equivalents, and restricted cash	259	—	(835)	—	(576)
Cash, cash equivalents, and restricted cash at beginning of period	632	—	2,147	—	2,779
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 891</u>	<u>\$ —</u>	<u>\$ 1,312</u>	<u>\$ —</u>	<u>\$ 2,203</u>

Statement of Cash Flows						
Nine Months Ended September 30, 2017						
(Unaudited)						
(in millions)	S&P Global Inc.	Standard & Poor's Financial Services LLC	Non-Guarantor Subsidiaries	Eliminations	S&P Global Inc. Consolidated	
Operating Activities:						
Net income	\$ 2,735	\$ 409	\$ 2,394	\$ (4,199)	\$ 1,339	
Adjustments to reconcile net income to cash provided by operating activities:						
Depreciation	24	9	28	—	61	
Amortization of intangibles	—	—	73	—	73	
Provision for losses on accounts receivable	1	2	14	—	17	
Stock-based compensation	23	15	27	—	65	
Other	27	15	—	—	42	
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:						
Accounts receivable	(2)	(73)	11	—	(64)	
Prepaid and other current assets	(8)	2	9	—	3	
Accounts payable and accrued expenses	(19)	56	(87)	—	(50)	
Unearned revenue	14	17	(138)	—	(107)	
Accrued legal settlements	—	(1)	(3)	—	(4)	
Other current liabilities	(42)	(11)	(41)	—	(94)	
Net change in prepaid/accrued income taxes	(27)	(18)	3	—	(42)	
Net change in other assets and liabilities	(42)	(5)	11	—	(36)	
Cash provided by operating activities	2,684	417	2,301	(4,199)	1,203	
Investing Activities:						
Capital expenditures	(34)	(17)	(26)	—	(77)	
Acquisitions, net of cash acquired	—	—	(80)	—	(80)	
Proceeds from dispositions	—	—	2	—	2	
Cash used for investing activities	(34)	(17)	(104)	—	(155)	
Financing Activities:						
Dividends paid to shareholders	(316)	—	—	—	(316)	
Distributions to noncontrolling interest holders	—	—	(69)	—	(69)	
Repurchase of treasury shares	(846)	—	—	—	(846)	
Exercise of stock options	63	—	6	—	69	
Employee withholding tax on share-based payments	(49)	—	—	—	(49)	
Intercompany financing activities	(1,960)	(400)	(1,839)	4,199	—	
Cash used for financing activities	(3,108)	(400)	(1,902)	4,199	(1,211)	
Effect of exchange rate changes on cash from continuing operations	(10)	—	93	—	83	
Net change in cash, cash equivalents, and restricted cash	(468)	—	388	—	(80)	
Cash, cash equivalents, and restricted cash at beginning of period	711	—	1,681	—	2,392	
Cash, cash equivalents, and restricted cash at end of period	\$ 243	\$ —	\$ 2,069	\$ —	\$ 2,312	

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

The following Management's Discussion and Analysis ("MD&A") provides a narrative of the results of operations and financial condition of S&P Global Inc. (together with its consolidated subsidiaries, "S&P Global," the "Company," "we," "us" or "our") for the three and nine months ended September 30, 2018. The MD&A should be read in conjunction with the consolidated financial statements, accompanying notes and MD&A included in our Form 10-K for the year ended December 31, 2017 (our "Form 10-K"), which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The MD&A includes the following sections:

- Overview
- Results of Operations — Comparing the Three and Nine Months Ended September 30, 2018 and 2017
- Liquidity and Capital Resources
- Reconciliation of Non-GAAP Financial Information
- Critical Accounting Estimates
- Recently Issued or Adopted Accounting Standards
- Forward-Looking Statements

OVERVIEW

We are a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

Our operations consist of four reportable segments: S&P Global Ratings ("Ratings"), S&P Global Market Intelligence ("Market Intelligence"), S&P Global Platts ("Platts") and S&P Dow Jones Indices ("Indices").

- Ratings is an independent provider of credit ratings, research, and analytics, offering investors and other market participants information, ratings and benchmarks.
- Market Intelligence is a global provider of multi-asset-class data, research and analytical capabilities, which integrate cross-asset analytics and desktop services.
- Platts is the leading independent provider of information and benchmark prices for the commodity and energy markets.
- Indices is a global index provider maintaining a wide variety of valuation and index benchmarks for investment advisors, wealth managers and institutional investors.

In April of 2018, we acquired Kensho Technologies Inc. ("Kensho") for approximately \$550 million, net of cash acquired, in a mix of cash and stock. The results of Kensho, an operating segment of the Company, are included in Corporate revenue and Corporate Unallocated for financial reporting purposes. See Note 2 — *Acquisitions and Divestitures* and Note 11 — *Segment and Related Information* to the consolidated financial statements of this Form 10-Q for further discussion.

Effective beginning with the first quarter of 2018, we began reporting the financial results of Market Intelligence and Platts as separate reportable segments consistent with the changes to our organizational structure and how our Chief Executive Officer evaluates the performance of these segments. Our historical segment reporting has been retroactively revised to reflect the current organizational structure.

Key results for the periods ended September 30 are as follows:

(in millions, except per share amounts)	Three Months			Nine Months		
	2018	2017	% Change ¹	2018	2017	% Change ¹
Revenue	\$ 1,546	\$ 1,513	2%	\$ 4,721	\$ 4,475	6%
Operating profit ²	\$ 704	\$ 649	8%	\$ 2,086	\$ 1,956	7%
Operating margin %	46%	43%		44%	44%	
Diluted earnings per share from net income	\$ 1.95	\$ 1.61	22%	\$ 5.70	\$ 4.75	20%

¹ % changes in the tables throughout the MD&A are calculated off of the actual number, not the rounded number presented.

² Operating profit for the three and nine months ended September 30, 2018 includes Kensho retention related expense of \$11 million and \$23 million, respectively, restructuring charges related to a business disposition and employee severance charges of \$9 million, and lease impairments of \$11 million. Operating profit for the nine months ended September 30, 2018 includes legal settlement expenses of \$73 million. Operating profit for the three and nine months ended September 30, 2017 includes employee severance charges of \$19 million and \$24 million, respectively. Operating profit for the nine months ended September 30, 2017 includes a charge to exit a leased facility of \$6 million, an asset write-off of \$2 million, non-cash acquisition and disposition-related adjustments of \$15 million, and legal settlement expenses of \$2 million. Operating profit also includes amortization of intangibles from acquisitions of \$33 million and \$91 million for the three and nine months ended September 30, 2018, respectively, and \$24 million and \$73 million for the three and nine months ended September 30, 2017, respectively.

Three Months

Revenue increased 2%, with a 1 percentage point favorable impact from recent acquisitions and a 1 percentage point unfavorable impact from foreign exchange rates. Revenue growth was driven by increases at Market Intelligence, Indices and Platts, partially offset by a decrease at Ratings. The increase at Market Intelligence was driven by annualized contract value growth in the Market Intelligence Desktop and Global Risk Services products. Revenue growth at Indices was driven by higher levels of assets under management for exchange traded funds ("ETFs") and mutual funds. The increase at Platts was due to continued demand for market data and price assessment products. These increases were partially offset by a decrease at Ratings driven by lower corporate bond ratings revenue and bank loan ratings revenue.

Operating profit increased 8%, with a 2 percentage point favorable impact from foreign exchange rates. Excluding the unfavorable impact of Kensho retention related expense in 2018 of 1 percentage point, lease impairment charges in 2018 of 1 percentage point, higher deal-related amortization in 2018 of 1 percentage point, partially offset by the favorable impact of higher employee severance charges in 2017 of 1 percentage point, operating profit increased 11%. The increase was primarily due to revenue growth at Market Intelligence, Indices and Platts and decreased compensation costs at Ratings primarily driven by reduced incentive costs as well as the decreased headcount from attrition and prior year restructuring actions. Additionally, operating profit was favorably impacted by a reduction in vacant space, technology spend and professional fees at Corporate. These increases were partially offset by increased expenses at Market Intelligence due to an increase in cost of sales as a result of royalties tied to annualized contract value growth and increased data costs, and higher compensation costs driven by annual merit increases and additional headcount.

Nine Months

Revenue increased 6%, with a 1 percentage point favorable impact from recent acquisitions and a 1 percentage point favorable impact from foreign exchange rates. Revenue growth was driven by increases at all of our reportable segments. Revenue growth at Market Intelligence was driven by annualized contract value growth in the Market Intelligence Desktop and Global Risk Services products. Revenue growth at Indices was driven by higher volumes for exchange-traded derivatives and higher levels of assets under management for ETFs and mutual funds. The increase at Platts was due to continued demand for market data and price assessment products. Revenue growth at Ratings was due to an increase in non-transaction revenue due to an increase in surveillance fees, higher entity credit ratings revenue and an increase in Ratings Evaluation Service activity.

Operating profit increased 7%, with a 3 percentage point favorable impact from foreign exchange rates. Excluding the unfavorable impact of higher legal settlement expenses in 2018 of 3 percentage points, Kensho retention related expense in 2018 of 1 percentage point, and higher deal-related amortization in 2018 of 1 percentage point, partially offset by the favorable impact of non-cash acquisition and disposition-related adjustments in 2017 of 1 percentage point and higher employee severance charges in 2017 of 1 percentage point, operating profit increased 10%. The increase was primarily due to revenue growth at all of our reportable segments and decreased compensation costs at Ratings primarily driven by reduced incentive costs as well as the decreased headcount from attrition and prior year restructuring actions. These increases were partially offset by increased expenses at Market Intelligence due to an increase in cost of sales as a result of royalties tied to annualized contract value growth and increased data costs, and higher compensation costs driven by annual merit increases and additional headcount.

Our Strategy

We are a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide. Our purpose is to provide the intelligence that is essential for companies, governments and individuals to make decisions with conviction. We seek to deliver on this purpose within the framework of our core values of integrity, excellence and relevance.

We seek to deliver an exceptional, differentiated customer experience across the globe. We strive for operational excellence, continuous innovation, and a high performance culture driven by our best-in-class talent. We strive to deliver on our strategic priorities in the following four categories by:

Finance

- Achieving financial targets and creating shareholder value by focusing on organic revenue growth and continuing to deliver margin expansion with a focus on operating leverage and efficiency opportunities; and
- Outperforming traditional and nontraditional competitors.

Customer

- Delivering greater customer value through deeper client and market insights, innovative solutions, stronger internal teamwork and reliable, nimble Go-to-Market processes;
- Enriching and modernizing the user experience to improve customer loyalty;
- Identifying and executing transformative growth opportunities; and
- Accelerating investments and coordination in building new products and in developing new markets.

Operations

- Enhancing planning and software engineering processes to speed up the delivery of content and products;
- Applying lean management, robotics, automation and machine learning to streamline internal workflow and deliver productivity;
- Strengthening our Digital Infrastructure capabilities, with emphasis on workplace services and cybersecurity; and
- Upholding our commitment to a disciplined and practical risk, control and compliance environment.

People

- Creating a performance culture to drive innovation, flexibility and agility to address customer needs;
- Committing to leadership development programs and skills training;
- Embracing and expanding diversity and inclusion in our workforce; and
- Enhancing and augmenting technology talent and skills across the Company.

There can be no assurance that we will achieve success in implementing any one or more of these strategies as a variety of factors could unfavorably impact operating results, including prolonged difficulties in the global credit markets and a change in the regulatory environment affecting our businesses.

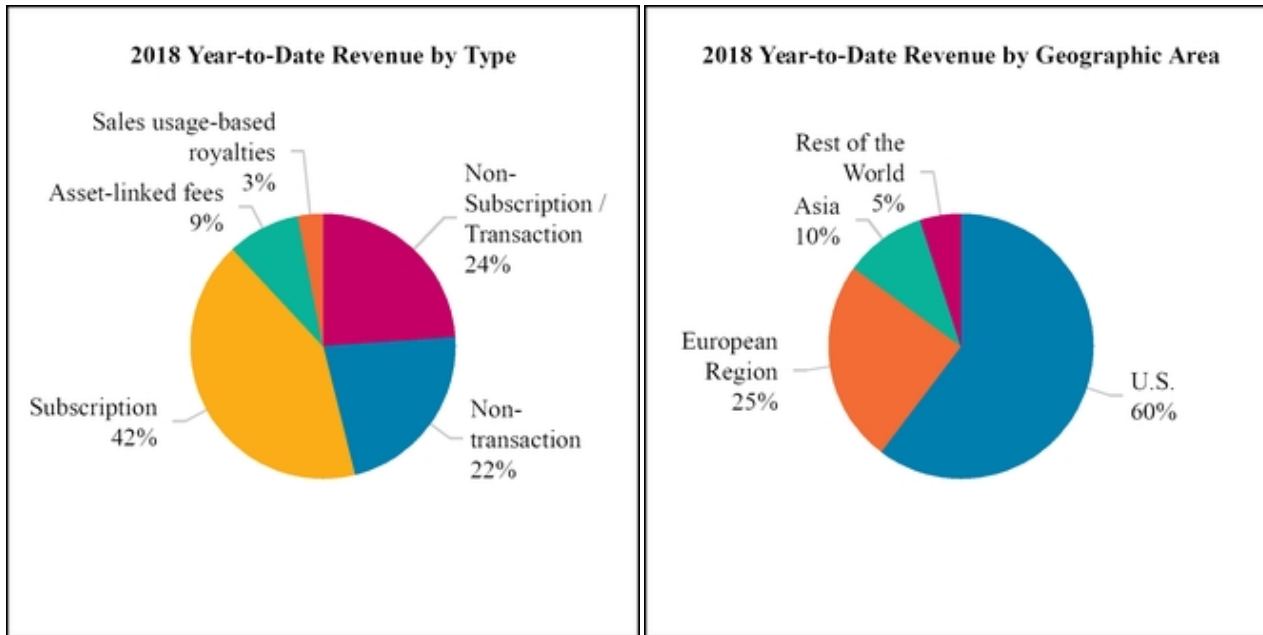
RESULTS OF OPERATIONS — COMPARING THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
Consolidated Review

(in millions)	Three Months			Nine Months		
	2018	2017	% Change	2018	2017	% Change
Revenue	\$ 1,546	\$ 1,513	2%	\$ 4,721	\$ 4,475	6%
Total Expenses:						
Operating-related expenses	406	419	(3)%	1,290	1,262	2%
Selling and general expenses	383	399	(4)%	1,194	1,123	6%
Depreciation and amortization	53	46	18%	151	134	13%
Total expenses	842	864	(3)%	2,635	2,519	5%
Operating profit	704	649	8%	2,086	1,956	7%
Other income, net	(6)	(9)	(25)%	(22)	(26)	(16)%
Interest expense, net	38	37	3%	98	110	(11)%
Provision for taxes on income	137	169	(19)%	440	533	(17)%
Net income	535	452	18%	1,570	1,339	17%
Less: net income attributable to noncontrolling interests	(40)	(38)	(6)%	(123)	(105)	(17)%
Net income attributable to S&P Global Inc.	\$ 495	\$ 414	20%	\$ 1,447	\$ 1,234	17%

Revenue

The following table provides consolidated revenue information for the periods ended September 30:

(in millions)	Three Months			Nine Months		
	2018	2017	% Change	2018	2017	% Change
Revenue	\$ 1,546	\$ 1,513	2%	\$ 4,721	\$ 4,475	6%
Subscription revenue	\$ 685	\$ 619	11%	\$ 1,981	\$ 1,816	9%
Non-transaction revenue	340	339	—%	1,037	980	6%
Non-subscription / transaction revenue	338	384	(12)%	1,130	1,179	(4)%
Asset-linked fees	136	124	9%	411	357	15%
Sales usage-based royalties	47	47	(1)%	162	143	14%
% of total revenue:						
Subscription revenue	44%	41%		42%	41%	
Non-transaction revenue	22%	23%		22%	22%	
Non-subscription / transaction revenue	22%	25%		24%	26%	
Asset-linked fees	9%	8%		9%	8%	
Sales usage-based royalties	3%	3%		3%	3%	
U.S. revenue	\$ 932	\$ 914	2%	\$ 2,843	\$ 2,726	4%
International revenue:						
European region	380	361	5%	1,164	1,068	9%
Asia	160	157	2%	475	432	10%
Rest of the world	74	81	(9)%	239	249	(4)%
Total international revenue	\$ 614	\$ 599	2%	\$ 1,878	\$ 1,749	7%
% of total revenue:						
U.S. revenue	60%	60%		60%	61%	
International revenue	40%	40%		40%	39%	



Three Months

Subscription revenue increased primarily from growth in Market Intelligence's average contract values and continued demand for Platt's proprietary content. Higher data subscription revenue at Indices also contributed to subscription revenue growth. Non-transaction revenue increased slightly at Ratings primarily due to an increase in surveillance fees and royalty revenue, partially offset by a decline in Ratings Evaluation Service ("RES") activity. Non-subscription / transaction revenue decreased driven by a decline in corporate bond ratings revenue and bank loan ratings revenue at Ratings. Asset-linked fees increased primarily due to the impact of higher levels of assets under management for ETFs and mutual funds at Indices. See "Segment Review" below for further information.

The unfavorable impact of foreign exchange rates reduced revenue by 1 percentage point. This impact refers to constant currency comparisons estimated by recalculating current year results of foreign operations using the average exchange rate from the prior year.

Nine Months

Subscription revenue increased primarily from growth in Market Intelligence's average contract values and continued demand for Platt's proprietary content. Non-transaction revenue grew at Ratings primarily due to an increase in surveillance fees, higher entity credit ratings revenue and an increase in RES activity. Non-subscription / transaction revenue decreased as a decline in corporate bond ratings revenue was partially offset by an increase in structured finance revenue and bank loan ratings revenue at Ratings. Asset-linked fees increased primarily due to the impact of higher levels of assets under management for ETFs and mutual funds at Indices. Sales usage-based royalties increased primarily driven by higher volumes for exchange-traded derivatives at Indices. See "Segment Review" below for further information.

The favorable impact of foreign exchange rates increased revenue by 1 percentage point. This impact refers to constant currency comparisons estimated by recalculating current year results of foreign operations using the average exchange rate from the prior year.

Total Expenses

The following tables provide an analysis by segment of our operating-related expenses and selling and general expenses for the periods ended September 30:

Three Months

(in millions)	2018		2017		% Change	
	Operating-related expenses	Selling and general expenses	Operating-related expenses	Selling and general expenses	Operating-related expenses	Selling and general expenses
Ratings ¹	\$ 191	\$ 106	\$ 215	\$ 140	(11)%	(24)%
Market Intelligence ²	159	133	152	121	4%	10%
Platts	54	45	52	52	4%	(12)%
Indices	26	42	28	37	(6)%	11%
Intersegment eliminations ³	(32)	—	(28)	—	(15)%	N/M
Total segments	398	326	419	350	(5)%	(7)%
Corporate Unallocated expense ⁴	8	57	—	49	N/M	15%
Total	\$ 406	\$ 383	\$ 419	\$ 399	(3)%	(4)%

N/M - not meaningful

¹ In 2017, selling and general expenses include employee severance charges of \$15 million.

² In 2018, selling and general expenses include restructuring charges related to a business disposition and employee severance charges of \$2 million.

³ Intersegment eliminations relate to a royalty charged to Market Intelligence for the rights to use and distribute content and data developed by Ratings.

⁴ In 2018, selling and general expenses include Kensho retention related expense of \$11 million, lease impairments of \$11 million, and employee severance charges of \$7 million. In 2017, selling and general expenses include employee severance charges of \$4 million.

Operating-Related Expenses

Operating-related expenses decreased 3% due to decreased compensation costs at Ratings primarily driven by reduced incentive costs as well as the decreased headcount from attrition and prior year restructuring actions. This decrease was partially offset by an increase at Market Intelligence primarily due to an increase in cost of sales as a result of royalties tied to annualized contract value growth and increased data costs, and higher compensation costs related to annual merit increases and additional headcount. Additionally, operating-related expenses increased due to the acquisition of Kensho in April of 2018.

Intersegment eliminations primarily relate to a royalty charged to Market Intelligence for the rights to use and distribute content and data developed by Ratings.

Selling and General Expenses

Selling and general expenses decreased 4%. Excluding the unfavorable impact of Kensho retention related expense in 2018 of 3 percentage points and lease impairment charges in 2018 of 3 percentage points, partially offset by the favorable impact of higher employee severance charges in 2017 of 3 percentage points, selling and general expenses decreased 7%. This decrease was primarily driven by decreased compensation costs at Ratings primarily driven by reduced incentive costs as well as the decreased headcount from attrition and prior year restructuring actions, partially offset by higher compensation costs at Market Intelligence and Indices. Additionally, selling and general expenses increased due to the acquisition of Kensho in April of 2018.

Depreciation and Amortization

Depreciation and amortization increased 18% compared to the third quarter of 2017 due to an increase in amortization expense primarily related to the acquisition of Kensho in April of 2018.

Nine Months

(in millions)	2018		2017		% Change	
	Operating-related expenses	Selling and general expenses	Operating-related expenses	Selling and general expenses	Operating-related expenses	Selling and general expenses
Ratings ¹	\$ 623	\$ 403	\$ 641	\$ 388	(3)%	4%
Market Intelligence ²	500	388	462	360	8%	8%
Platts ³	169	132	165	151	3%	(13)%
Indices	75	126	75	107	—%	18%
Intersegment eliminations ⁴	(92)	—	(81)	—	(14)%	N/M
Total segments	1,275	1,049	1,262	1,006	1%	4%
Corporate Unallocated expense ⁵	15	145	—	117	N/M	23%
Total	\$ 1,290	\$ 1,194	\$ 1,262	\$ 1,123	2%	6%

N/M - not meaningful

¹ In 2018, selling and general expenses include legal settlement expenses of \$73 million. In 2017, selling and general expenses include employee severance charges of \$15 million and legal settlement expenses of \$2 million.

² In 2018, selling and general expenses include restructuring charges related to a business disposition and employee severance charges of \$2 million. In 2017, selling and general expenses include a non-cash disposition-related adjustment of \$4 million and employee severance charges of \$4 million.

³ In 2017, selling and general expenses include a non-cash acquisition-related adjustment of \$11 million, a charge to exit a leased facility of \$6 million, an asset write-off of \$2 million and employee severance charges of \$1 million.

⁴ Intersegment eliminations relate to a royalty charged to Market Intelligence for the rights to use and distribute content and data developed by Ratings.

⁵ In 2018, selling and general expenses include Kensho retention related expense of \$23 million, lease impairments of \$11 million, and employee severance charges of \$7 million. In 2017, selling and general expenses include employee severance charges of \$4 million.

Operating-Related Expenses

Operating-related expenses increased 2% driven by increases at Market Intelligence due to an increase in cost of sales as a result of royalties tied to annualized contract value growth and increased data costs, and higher compensation costs related to annual merit increases and additional headcount. This increase was partially offset by decreased compensation costs at Ratings primarily driven by reduced incentive costs as well as the decreased headcount from attrition and prior year restructuring actions. Additionally, operating-related expenses increased due to the acquisition of Kensho in April of 2018.

Intersegment eliminations primarily relate to a royalty charged to Market Intelligence for the rights to use and distribute content and data developed by Ratings.

Selling and General Expenses

Selling and general expenses increased 6%. Excluding the unfavorable impact of higher legal settlement expenses in 2018 of 6 percentage points, Kensho retention related expense in 2018 of 2 percentage points and lease impairment charges of 1 percentage point, partially offset by the favorable impact of higher employee severance charges in 2017 of 2 percentage points, non-cash acquisition and disposition-related adjustments in 2017 of 1 percentage point and a charge to exit a leased facility in 2017 of 1 percentage point, selling and general expenses increased 1%. The increase is due to higher compensation costs at Market Intelligence and Indices and increased expenses due to the acquisition of Kensho in April of 2018, partially offset by decreased compensation costs at Ratings primarily driven by reduced incentive costs as well as the decreased headcount from attrition and prior year restructuring actions.

Depreciation and Amortization

Depreciation and amortization increased 13% compared to the first nine months of 2017 due to an increase in amortization expense primarily related to the acquisition of Kensho in April of 2018.

Operating Profit

We consider operating profit to be an important measure for evaluating our operating performance and we evaluate operating profit for each of the reportable business segments in which we operate.

We internally manage our operations by reference to operating profit with economic resources allocated primarily based on each segment's contribution to operating profit. Segment operating profit is defined as operating profit before Corporate Unallocated. Segment operating profit is not, however, a measure of financial performance under U.S. GAAP, and may not be defined and calculated by other companies in the same manner.

The table below reconciles segment operating profit to total operating profit for the periods ended September 30:

Three Months

(in millions)	2018	2017	% Change
Ratings ¹	\$ 395	\$ 375	6%
Market Intelligence ²	148	123	20%
Platts ³	98	84	16%
Indices ⁴	134	119	13%
Total segment operating profit	775	701	11%
Corporate Unallocated ⁵	(71)	(52)	(39)%
Total operating profit	\$ 704	\$ 649	8%

¹ 2018 and 2017 include amortization of intangibles from acquisitions of \$1 million. 2017 includes employee severance charges of \$15 million.

² 2018 includes restructuring charges related to a business disposition and employee severance charges of \$2 million. 2018 and 2017 include amortization of intangibles from acquisitions of \$18 million and \$17 million, respectively.

³ 2018 and 2017 include amortization of intangibles from acquisitions of \$4 million and \$5 million, respectively.

⁴ 2018 and 2017 include amortization of intangibles from acquisitions of \$2 million and \$1 million, respectively.

⁵ 2018 includes Kensho retention related expense of \$11 million, lease impairments of \$11 million, employee severance charges of \$7 million, and amortization of intangibles from acquisitions of \$8 million. 2017 includes employee severance charges of \$4 million.

Segment Operating Profit — Increased 11% as compared to the third quarter of 2017. Excluding the favorable impact of higher employee severance charges in 2017 of 3 percentage points, operating profit increased 8%. The increase was primarily due to revenue growth at Market Intelligence, Indices and Platts and decreased compensation costs at Ratings primarily driven by reduced incentive costs as well as the decreased headcount from attrition and prior year restructuring actions. These increases were partially offset by increased expenses at Market Intelligence due to an increase in cost of sales as a result of royalties tied to annualized contract value growth and increased data costs, and higher compensation costs driven by annual merit increases and additional headcount. See “Segment Review” below for further information.

Corporate Unallocated — Corporate Unallocated includes costs for corporate center functions, select initiatives and unoccupied office space, included in selling and general expenses, and the results for Kensho. Corporate Unallocated operating loss increased 39% as compared to the third quarter of 2017. Excluding the unfavorable impact of Kensho retention related expense in 2018 of 22 percentage points, lease impairment charges in 2018 of 21 percentage points, higher deal-related amortization in 2018 of 17 percentage points and higher employee severance charges in 2018 of 5 percentage points, Corporate Unallocated loss decreased 25% due to a reduction in vacant space, technology spend and professional fees.

Foreign exchange rates had a favorable impact on operating profit of 2 percentage points. This impact refers to constant currency comparisons and the remeasurement of monetary assets and liabilities. Constant currency impacts are estimated by re-calculating current year results of foreign operations using the average exchange rate from the prior year. Remeasurement impacts are based on the variance between current-year and prior-year foreign exchange rate fluctuations on assets and liabilities denominated in currencies other than the individual businesses functional currency.

Nine Months

(in millions)	2018	2017	% Change
Ratings ¹	\$ 1,173	\$ 1,144	2%
Market Intelligence ²	388	339	14%
Platts ³	285	245	17%
Indices ⁴	416	352	18%
Total segment operating profit	2,262	2,080	9%
Corporate Unallocated ⁵	(176)	(124)	(42)%
Total operating profit	\$ 2,086	\$ 1,956	7%

¹ 2018 includes legal settlement expenses of \$73 million. 2017 includes employee severance charges of \$15 million and legal settlement expenses of \$2 million. 2018 and 2017 include amortization of intangibles from acquisitions of \$2 million and \$3 million, respectively.

² 2018 includes restructuring charges related to a business disposition and employee severance charges of \$2 million. 2017 includes a non-cash disposition-related adjustment of \$4 million and employee severance charges of \$4 million. 2018 and 2017 include amortization of intangibles from acquisitions of \$54 million and \$52 million, respectively.

³ 2018 and 2017 include amortization of intangibles from acquisitions of \$13 million. 2017 includes a non-cash acquisition-related adjustment of \$11 million, a charge to exit a leased facility of \$6 million, an asset write-off of \$2 million, and employee severance charges of \$1 million.

⁴ 2018 and 2017 include amortization of intangibles from acquisitions of \$5 million and \$4 million, respectively.

⁵ 2018 includes Kensho retention related expense of \$23 million, lease impairments of \$11 million, employee severance charges of \$7 million, and amortization of intangibles from acquisitions of \$17 million. 2017 includes employee severance charges of \$4 million.

Segment Operating Profit — Increased 9% as compared to the first nine months of 2017. Excluding the unfavorable impact of higher legal settlement expenses in 2018 of 2 percentage points, partially offset by the favorable impact of higher employee severance charges in 2017 of 1 percentage point, operating profit increased 10%. The increase was primarily due to revenue growth at all of our reportable segments and decreased compensation costs at Ratings primarily driven by reduced incentive costs as well as the decreased headcount from attrition and prior year restructuring actions. These increases were partially offset by increased expenses at Market Intelligence due to an increase in cost of sales as a result of royalties tied to annualized contract value growth and increased data costs, and higher compensation costs driven by annual merit increases and additional headcount. See “Segment Review” below for further information.

Corporate Unallocated — Corporate Unallocated includes costs for corporate center functions, select initiatives and unoccupied office space, included in selling and general expenses, and the results for Kensho. Corporate Unallocated operating loss increased 42% as compared to the first nine months of 2017. Excluding the unfavorable impact of Kensho retention related expense in 2018 of 18 percentage points, higher deal-related amortization in 2018 of 13 percentage points, lease impairment charges in 2018 of 8 percentage points and higher employee severance charges in 2018 of 2 percentage points, Corporate Unallocated loss increased 1%. This increase was driven by the unfavorable impact of a \$20 million contribution made by the Company to the S&P Global Foundation during the first quarter of 2018 and increased expenses related to the acquisition of Kensho in April of 2018, partially offset by a reduction in vacant space, technology spend and professional fees.

Foreign exchange rates had a favorable impact on operating profit of 3 percentage points. This impact refers to constant currency comparisons and the remeasurement of monetary assets and liabilities. Constant currency impacts are estimated by re-calculating current year results of foreign operations using the average exchange rate from the prior year. Remeasurement impacts are based on the variance between current-year and prior-year foreign exchange rate fluctuations on assets and liabilities denominated in currencies other than the individual businesses functional currency.

Interest Expense, net

Net interest expense remained relatively flat compared to the third quarter of 2017, increasing \$1 million or 3%. Net interest expense decreased 11% compared to the first nine months of 2017 driven by the release of a reserve for accrued interest related to the resolution of various tax audits in the second quarter of 2018.

Provision for Income Taxes

Comprehensive tax legislation, enacted through the Tax Cuts and Jobs Act (“TCJA”) on December 22, 2017, significantly modified U.S. corporate income tax law. Provisional amounts have been recorded in our financial statements based on the Company’s initial

analysis of the TCJA. The Company may adjust these amounts in future periods if our interpretation of the TCJA changes or as additional guidance from the U.S. Treasury becomes available.

The effective income tax rate was 20.4% and 21.9% for the three and nine months ended September 30, 2018, respectively, and 27.3% and 28.5% for the three and nine months ended September 30, 2017, respectively. The decrease in 2018 was primarily due to the reduction of the U.S. federal corporate tax rate as a result of the enactment of the TCJA.

The Company is continuously subject to tax examinations in various jurisdictions. In May 2017, the IRS issued a 30-Day Letter proposing to increase the Company's federal income tax for the 2015 tax year by approximately \$242 million. This increase relates primarily to the IRS's proposed disallowance of claimed tax deductions for certain amounts paid in 2015 to settle lawsuits by nineteen states and the District of Columbia. In April 2018, the Company and the IRS formally agreed to a settlement for \$14 million that was fully reserved for in prior periods.

Segment Review

Ratings

Ratings is an independent provider of credit ratings, research, and analytics to investors, issuers and other market participants. Credit ratings are one of several tools investors can use when making decisions about purchasing bonds and other fixed income investments. They are opinions about credit risk and our ratings express our opinion about the ability and willingness of an issuer, such as a corporation or state or city government, to meet its financial obligations in full and on time. Our credit ratings can also relate to the credit quality of an individual debt issue, such as a corporate or municipal bond, and the relative likelihood that the issue may default.

Ratings differentiates its revenue between transaction and non-transaction. Transaction revenue primarily includes fees associated with:

- ratings related to new issuance of corporate and government debt instruments, and structured finance debt instruments;
- bank loan ratings; and
- corporate credit estimates, which are intended, based on an abbreviated analysis, to provide an indication of our opinion regarding creditworthiness of a company which does not currently have a Ratings credit rating.

Non-transaction revenue primarily includes fees for surveillance of a credit rating, annual fees for customer relationship-based pricing programs, fees for entity credit ratings and global research and analytics. Non-transaction revenue also includes an intersegment royalty charged to Market Intelligence for the rights to use and distribute content and data developed by Ratings. Royalty revenue was \$28 million and \$81 million for the three and nine months ended September 30, 2018, respectively, and \$25 million and \$73 million for the three and nine months ended September 30, 2017, respectively.

The following table provides revenue and segment operating profit information for the periods ended September 30:

(in millions)	Three Months			Nine Months		
	2018	2017	% Change	2018	2017	% Change
Revenue	\$ 700	\$ 739	(5)%	\$ 2,223	\$ 2,199	1%
Non-transaction revenue	\$ 372	\$ 367	1%	\$ 1,129	\$ 1,061	6%
Transaction revenue	\$ 328	\$ 372	(12)%	\$ 1,094	\$ 1,138	(4)%
% of total revenue:						
Non-transaction revenue	53%	50%		51%	48%	
Transaction revenue	47%	50%		49%	52%	
U.S. revenue	\$ 400	\$ 425	(6)%	\$ 1,266	\$ 1,276	(1)%
International revenue	\$ 300	\$ 314	(4)%	\$ 957	\$ 923	4%
% of total revenue:						
U.S. revenue	57%	58%		57%	58%	
International revenue	43%	42%		43%	42%	
Operating profit ¹	\$ 395	\$ 375	6%	\$ 1,173	\$ 1,144	2%
Operating margin %	56%	51%		53%	52%	

¹ Operating profit includes legal settlement expenses of \$73 million for the nine months ended September 30, 2018. Operating profit includes employee severance charges of \$15 million for the three and nine months ended September 30, 2017 and legal settlement expenses of \$2 million for the nine months ended September 30, 2017. Operating profit also includes amortization of intangibles from acquisitions of \$1 million for the three months ended September 30, 2018 and 2017 and \$2 million and \$3 million for the nine months ended September 30, 2018 and 2017, respectively.

Three Months

Revenue decreased 5% due to a decline in transaction revenue, partially offset by a slight increase in non-transaction revenue. Transaction revenue decreased due to a decline in corporate bond ratings revenue driven by lower issuance in the U.S. and Asia and lower bank loan ratings revenue. Non-transaction revenue increased due to an increase in surveillance fees and an increase in royalty revenue, partially offset by a decline in RES activity. Transaction and non-transaction revenue benefited from improved contract terms across product categories.

Operating profit increased 6%, with a 3 percentage point favorable impact from foreign exchange rates. Excluding the favorable impact of higher employee severance charges in 2017 of 5 percentage points, operating profit increased 1%. This increase was primarily due to decreased compensation costs primarily driven by reduced incentive costs as well as the decreased headcount from attrition and prior year restructuring actions, partially offset by the decrease in revenue discussed above.

Nine Months

Revenue increased 1%, with a 1 percentage point favorable impact from foreign exchange rates. Non-transaction revenue grew primarily due to an increase in surveillance fees, higher entity credit ratings revenue, an increase in royalty revenue and an increase in RES activity. Transaction revenue decreased primarily due to a decline in corporate bond ratings revenue driven by lower issuance in the U.S. and Asia, partially offset by an increase in structured finance revenue and bank loan ratings revenue. The increase in structured finance transaction revenue was driven by increased U.S. collateralized loan obligations ("CLO") issuance in the first half of the year. Transaction and non-transaction revenue benefited from improved contract terms across product categories.

Operating profit increased 2%, with a 4 percentage point favorable impact from foreign exchange rates. Excluding the unfavorable impact of higher legal settlement expenses in 2018 of 6 percentage points, partially offset by the favorable impact of higher employee severance charges in 2017 of 1 percentage point, operating profit increased 7%. This increase was primarily due to the favorable impact of foreign exchange rates, a decrease in compensation costs related to lower incentive costs as well as the decreased headcount from attrition and prior year restructuring actions and revenue growth, partially offset by higher salary costs primarily driven by annual merit increases and an increase in costs related to the development of a global center for technology talent in India.

Market Issuance Volumes

We monitor market issuance volumes regularly within Ratings. Market issuance volumes noted within the discussion that follows are based on the domicile of the issuer. Issuance volumes can be reported in two ways: by “domicile” which is based on where an issuer is located or where the assets associated with an issue are located, or based on “marketplace” which is where the bonds are sold. The following tables depict changes in issuance levels as compared to the prior year, based on a composite of Thomson Financial, Harrison Scott Publications, Dealogic and Ratings' internal estimates.

	Third Quarter Compared to Prior Year			Year-to-Date Compared to Prior Year		
	U.S.	Europe	Global	U.S.	Europe	Global
Corporate Bond Issuance *						
High-yield issuance	(45)%	(12)%	(45)%	(36)%	(21)%	(32)%
Investment grade	(24)%	15%	(9)%	(20)%	10%	(2)%
Total issue dollars — Corporate issuance	(27)%	12%	(13)%	(23)%	5%	(6)%

* Includes Industrials and Financial Services.

- The quarter decrease in global high-yield issuance reflects comparisons against a strong prior year period as issuers went to the market in advance of expected interest rate increases. The year-to-date decrease in global high-yield issuance reflects comparisons against a strong prior year period as issuers went to market in advance of U.S. Federal Reserve rate increases that took place late in the first and second quarters of 2017.

	Third Quarter Compared to Prior Year			Year-to-Date Compared to Prior Year		
	U.S.	Europe	Global	U.S.	Europe	Global
Structured Finance						
Asset-backed securities (“ABS”)	15%	21%	28%	17%	34%	21%
Structured credit	4%	42%	11%	2%	42%	8%
Commercial mortgage-backed securities (“CMBS”)	(36)%	(28)%	(30)%	(12)%	28%	(7)%
Residential mortgage-backed securities (“RMBS”)	(2)%	81%	29%	28%	32%	19%
Covered bonds	**	50%	41%	**	28%	36%
Total issue dollars — Structured finance	—%	46%	18%	8%	31%	18%

** Represents no activity in 2018 and 2017.

- ABS issuance was up in the U.S. due to an increase in credit card transactions and Europe reflecting an increase in auto transactions.
- Issuance was up in the European structured credit markets driven by new CLO transactions.
- CMBS issuance was down in the U.S. and Europe for the quarter reflecting decreased market volume. European CMBS issuance was up for the first nine months of the year, although from a low 2017 base.
- RMBS issuance was down slightly in the U.S. for the quarter reflecting decreased market volume. RMBS issuance was up in the U.S. for the first nine months of the year and up in Europe for the quarter and first nine months of the year reflecting increased market volume.
- Covered bond (debt securities backed by mortgages or other high-quality assets that remain on the issuer's balance sheet) issuance in Europe was up partially due to the impact from the European Central Bank's covered bond asset purchase program.

For a further discussion of the legal and regulatory environment see Note 12 – *Commitments and Contingencies* to the consolidated financial statements of this Form 10-Q.

Market Intelligence

Market Intelligence's portfolio of capabilities are designed to help investment professionals, government agencies, corporations and universities track performance, generate alpha, identify investment ideas, understand competitive and industry dynamics, perform valuations and assess credit risk.

Market Intelligence includes the following business lines:

- Desktop — a product suite that provides data, analytics and third-party research for global finance professionals, which includes the Market Intelligence Desktop (which are inclusive of the S&P Capital IQ and SNL Desktop products);
- Data Management Solutions — integrated bulk data feeds and application programming interfaces that can be customized, which includes Compustat, GICS, Point In Time Financials and CUSIP; and
- Risk Services — commercial arm that sells Ratings' credit ratings and related data, analytics and research, which includes subscription-based offerings, RatingsDirect® and RatingsXpress®, and Credit Analytics.

Subscription revenue at Market Intelligence is primarily derived from distribution of data, analytics, third party research, and credit ratings-related information primarily through web-based channels including Market Intelligence Desktop, RatingsDirect®, RatingsXpress®, and Credit Analytics. Non-subscription revenue at Market Intelligence is primarily related to certain advisory, pricing and analytical services.

The following table provides revenue and segment operating profit information for the periods ended September 30:

(in millions)	Three Months			Nine Months		
	2018	2017	% Change	2018	2017	% Change
Revenue	\$ 464	\$ 422	10%	\$ 1,349	\$ 1,238	9%
Subscription revenue	\$ 451	\$ 406	11%	\$ 1,306	\$ 1,189	10%
Non-subscription revenue	\$ 8	\$ 10	(20)%	\$ 28	\$ 32	(15)%
Asset-linked fees	\$ 5	\$ 6	(21)%	\$ 15	\$ 17	(13)%
% of total revenue:						
Subscription revenue	97%	96%		97%	96%	
Non-subscription revenue	2%	2%		2%	3%	
Asset-linked fees	1%	2%		1%	1%	
U.S. revenue	\$ 300	\$ 279	8%	\$ 874	\$ 831	5%
International revenue	\$ 164	\$ 143	15%	\$ 475	\$ 407	17%
% of total revenue:						
U.S. revenue	65%	66%		65%	67%	
International revenue	35%	34%		35%	33%	
Operating profit ¹	\$ 148	\$ 123	20%	\$ 388	\$ 339	14%
Operating margin %	32%	29%		29%	27%	

¹ Operating profit includes restructuring charges related to a business disposition and employee severance charges of \$2 million for the three and nine months ended September 30, 2018. Operating profit includes a non-cash disposition-related adjustment of \$4 million and employee severance charges of \$4 million for the nine months ended September 30, 2017. Operating profit includes amortization of intangibles from acquisitions of \$18 million and \$17 million for the three months ended September 30, 2018 and 2017, respectively, and \$54 million and \$52 million for the nine months ended September 30, 2018 and 2017, respectively.

Three Months

Revenue increased 10% and was favorably impacted by 1 percentage point from the impact of recent acquisitions. Excluding acquisitions, revenue increased driven by growth in annualized contract values in the Market Intelligence Desktop products, RatingsXpress® and RatingsDirect®. The number of users and customers grew for each of these products in the quarter. Increases in annualized contract value for certain of our data feed products within Data Management Solutions also contributed to revenue

growth.

Operating profit increased 20%, with a 6 percentage point favorable impact from foreign exchange rates. The increase was primarily due to revenue growth, partially offset by higher compensation costs, an increase in cost of sales as a result of royalties tied to annualized contract value growth and increased data costs. Higher compensation costs were driven by annual merit increases and additional headcount partially related to the acquisitions of Panjiva Inc. ("Panjiva") in February of 2018 and the RateWatch business ("RateWatch") in June of 2018. See Note 2 - *Acquisitions and Divestitures* to the consolidated financial statements of this Form 10-Q for further discussion.

Nine Months

Revenue increased 9% and was favorably impacted by 1 percentage point from the impact of recent acquisitions. Excluding acquisitions, revenue increased driven by growth in annualized contract values in the Market Intelligence Desktop products, RatingsXpress® and RatingsDirect®. Increases in annualized contract value for certain of our data feed products within Data Management Solutions also contributed to revenue growth.

Operating profit increased 14%, with a 2 percentage point favorable impact from foreign exchange rates. Excluding the favorable impact of a non-cash disposition-related adjustment in 2017 of 3 percentage points and higher employee severance charges in 2017 of 2 percentage points, partially offset by the unfavorable impact of higher amortization in 2018 of 2 percentage points, operating profit increased 11%. The increase was primarily due to revenue growth, partially offset by an increase in cost of sales as a result of royalties tied to annualized contract value growth and increased data costs and higher compensation costs. Higher compensation costs were driven by annual merit increases and additional headcount partially related to the acquisition of Panjiva in February of 2018 and the RateWatch business ("RateWatch") in June of 2018. See Note 2 - *Acquisitions and Divestitures* to the consolidated financial statements of this Form 10-Q for further discussion.

Platts

Platts is the leading independent provider of information and benchmark prices for the commodity and energy markets. Platts provides essential price data, analytics, and industry insight enabling the commodity and energy markets to perform with greater transparency and efficiency.

Platts' revenue is generated primarily through the following sources:

- Subscription revenue — primarily from subscriptions to our real-time news, market data and price assessments, along with other information products;
- Sales usage-based royalties — primarily from licensing of our proprietary market price data and price assessments to commodity exchanges; and
- Non-subscription revenue — conference sponsorship, consulting engagements, and events.

The following table provides revenue and segment operating profit information for the periods ended September 30:

(in millions)	Three Months			Nine Months		
	2018	2017	% Change	2018	2017	% Change
Revenue	\$ 204	\$ 193	5%	\$ 604	\$ 577	5%
Subscription revenue	\$ 188	\$ 177	6%	\$ 556	\$ 523	6%
Sales usage-based royalties	\$ 14	\$ 14	(6)%	\$ 40	\$ 45	(10)%
Non-subscription revenue	\$ 2	\$ 2	14%	\$ 8	\$ 9	(9)%
% of total revenue:						
Subscription revenue	92%	92%		92%	91%	
Sales usage-based royalties	7%	7%		7%	7%	
Non-subscription revenue	1%	1%		1%	2%	
U.S. revenue	\$ 70	\$ 70	—%	\$ 210	\$ 213	(1)%
International revenue	\$ 134	\$ 123	8%	\$ 394	\$ 364	9%
% of total revenue:						
U.S. revenue	34%	36%		35%	37%	
International revenue	66%	64%		65%	63%	
Operating profit ¹	\$ 98	\$ 84	16%	\$ 285	\$ 245	17%
Operating margin %	48%	44%		47%	42%	

¹ Operating profit includes amortization of intangibles from acquisitions of \$4 million and \$5 million for the three months ended September 30, 2018 and 2017, respectively, and \$13 million for the nine months ended September 30, 2018 and 2017. Operating profit includes a non-cash acquisition-related adjustment of \$11 million, a charge to exit a leased facility of \$6 million, an asset write-off of \$2 million, and employee severance charges of \$1 million for the nine months ended September 30, 2017.

Three Months

Revenue increased 5% due to continued demand for market data and price assessment products, led by petroleum, partially offset by a decrease in sales usage-based royalties from the licensing of our proprietary market price data and price assessments to commodity exchanges mainly due to a decline in oil trading volumes. Demand for market data and price assessment products was driven by international customers. While petroleum is still the biggest revenue driver, the proportional revenue mix continues to become more diversified as other sectors contributed to revenue growth including petrochemicals, metals and agriculture.

Operating profit increased 16%, with a 1 percentage point favorable impact from foreign exchange rates. Excluding the favorable impact of higher amortization in 2017 of 1 percentage point, operating profit increased 15%. The increase was primarily due to revenue growth and reduced expenses mainly driven by lower incentive costs.

Nine Months

Revenue increased 5% due to continued demand for market data and price assessment products, led by petroleum, partially offset by a decrease in sales usage-based royalties from the licensing of our proprietary market price data and price assessments to commodity exchanges mainly due to a decline in oil trading volumes. Demand for market data and price assessment products was driven by international customers. While petroleum is still the biggest revenue driver, the proportional revenue mix continues to become more diversified as other sectors contributed to revenue growth including petrochemicals, metals and agriculture.

Operating profit increased 17%, with a 2 percentage point unfavorable impact from foreign exchange rates. Excluding the favorable impact of a non-cash acquisition-related adjustment in 2017 of 5 percentage points, a charge to exit a leased facility in 2017 of 3 percentage points, an asset write-off in 2017 of 1 percentage point and employee severance charges in 2017 of 1 percentage point, operating profit increased 7%. The increase was primarily due to revenue growth, partially offset by higher salary costs driven by annual merit increases.

Indices

Indices is a global index provider maintaining a wide variety of indices to meet an array of investor needs. Indices' mission is to provide transparent benchmarks to help with decision making, collaborate with the financial community to create innovative products and provide investors with tools to monitor world markets.

Indices primarily derives revenue from asset-linked fees based on the S&P and Dow Jones Indices and to a lesser extent generates subscription revenue and transaction revenue. Specifically, Indices generates revenue from the following sources:

- Investment vehicles — asset-linked fees such as ETFs and mutual funds, that are based on the S&P Dow Jones Indices' benchmarks that generate revenue through fees based on assets and underlying funds;
- Exchange traded derivatives — generate sales usage-based royalties based on trading volumes of derivatives contracts listed on various exchanges;
- Index-related licensing fees — fixed or variable annual and per-issue asset-linked fees for over-the-counter derivatives and retail-structured products; and
- Data and customized index subscription fees — fees from supporting index fund management, portfolio analytics and research.

The following table provides revenue and segment operating profit information for the periods ended September 30:

(in millions)	Three Months			Nine Months		
	2018	2017	% Change	2018	2017	% Change
Revenue	\$ 205	\$ 187	10%	\$ 627	\$ 542	16%
Asset-linked fees	\$ 131	\$ 118	11%	\$ 396	\$ 340	17%
Subscription revenue	\$ 41	\$ 36	12%	\$ 109	\$ 104	4%
Sales usage-based royalties	\$ 33	\$ 33	2%	\$ 122	\$ 98	25%
% of total revenue:						
Asset-linked fees	64%	63%		63%	63%	
Sales usage-based royalties	16%	18%		20%	18%	
Subscription revenue	20%	19%		17%	19%	
U.S. revenue	\$ 175	\$ 155	13%	\$ 533	\$ 448	19%
International revenue	\$ 30	\$ 32	(6)%	\$ 94	\$ 94	1%
% of total revenue:						
U.S. revenue	85%	83%		85%	83%	
International revenue	15%	17%		15%	17%	
Operating profit ¹	\$ 134	\$ 119	13%	\$ 416	\$ 352	18%
Less: net operating profit attributable to noncontrolling interests	36	33		112	95	
Net operating profit	\$ 98	\$ 86	15%	\$ 304	\$ 257	18%
Operating margin %	65%	64%		66%	65%	
Net operating margin %	48%	46%		48%	47%	

¹ Operating profit includes amortization of intangibles from acquisitions of \$2 million and \$1 million for the three months ended September 30, 2018 and 2017, respectively, and \$5 million and \$4 million for the nine months ended September 30, 2018 and 2017, respectively.

Three Months

Revenue at Indices increased 10%, primarily driven by higher levels of assets under management ("AUM") for ETFs and mutual funds. Higher data subscription revenue also contributed to revenue growth in the quarter. These increases were partially offset by lower over-the-counter derivatives revenue driven by the unfavorable impact of revenue recognized in the third quarter of 2017 related to the timing of contract settlements. Ending AUM for ETFs in the third quarter of 2018 increased 24% to \$1.505 trillion and average AUM for ETFs increased 23% to \$1.459 trillion compared to the third quarter of 2017.

Operating profit grew 13%. The impact of revenue growth was partially offset by increased compensation costs primarily driven by higher incentive costs.

Nine Months

Revenue at Indices increased 16%, primarily driven by higher ETF AUM and higher exchange-traded derivative volumes. Ending AUM for ETFs in the first nine months of 2018 increased 24% to \$1.505 trillion and average AUM for ETFs increased 24% to \$1.401 trillion compared to the first nine months of 2017.

Operating profit grew 18%, with a 2 percentage point unfavorable impact from foreign exchange rates. The impact of revenue growth was partially offset by increased compensation costs driven by higher incentive costs and additional headcount, and higher operating costs to support revenue growth and business initiatives.

LIQUIDITY AND CAPITAL RESOURCES

We continue to maintain a strong financial position. Our primary source of funds for operations is cash from our businesses. Cash on hand, cash flows from operations and availability under our existing credit facility are expected to be sufficient to meet any additional operating and recurring cash needs into the foreseeable future. We use our cash for a variety of needs, including but not limited to: ongoing investments in our businesses, strategic acquisitions, share repurchases, dividends, repayment of debt, capital expenditures and investment in our infrastructure.

Cash Flow Overview

Cash, cash equivalents, and restricted cash were \$2,203 million as of September 30, 2018, a decrease of \$576 million from December 31, 2017, and consisted of approximately 40% of domestic cash and 60% of cash held abroad.

The following table provides cash flow information for the nine months ended September 30:

(in millions)	2018	2017	% Change
Net cash provided by (used for):			
Operating activities	\$ 1,401	\$ 1,203	16%
Investing activities	\$ (346)	\$ (155)	N/M
Financing activities	\$ (1,579)	\$ (1,211)	30%

N/M - not meaningful

In the first nine months of 2018, free cash flow increased to \$1,197 million compared to \$1,057 million in the first nine months of 2017. The increase is primarily due to an increase in cash provided by operating activities as discussed below. Free cash flow is a non-GAAP financial measure and reflects our cash flow provided by operating activities less capital expenditures and distributions to noncontrolling interest holders. Capital expenditures include purchases of property and equipment and additions to technology projects. See "Reconciliation of Non-GAAP Financial Information" below for a reconciliation of cash flow provided by operating activities, the most directly comparable U.S. GAAP financial measure, to free cash flow and free cash flow excluding certain items.

Operating activities

Cash provided by operating activities increased \$198 million to \$1,401 million for the first nine months of 2018. The increase is mainly due to higher results from operations in 2018, stronger cash collections on accounts receivable in 2018 and lower estimated income tax payments in 2018 due to the reduction of the U.S. federal corporate tax rate as a result of the enactment of the TCJA, partially offset by legal settlement payments and settlement payments following the resolution of tax audits.

Investing activities

Our cash outflows from investing activities are primarily for acquisitions and capital expenditures, while cash inflows are primarily proceeds from dispositions.

Cash used for investing activities increased to \$346 million for the first nine months of 2018 compared to \$155 million in the first nine months of 2017, primarily due to cash used for the acquisition of Kensho in 2018. See Note 2 — *Acquisitions and Divestitures* to the consolidated financial statements of this Form 10-Q for further discussion.

Financing activities

Our cash outflows from financing activities consist primarily of share repurchases, dividends to shareholders and repayments of short-term and long-term debt, while cash inflows are primarily attributable to the borrowing of short-term and long-term debt and proceeds from the exercise of stock options.

Cash used for financing activities increased to \$1,579 million for the first nine months of 2018 as compared to \$1,211 million in the first nine months of 2017. The increase is primarily attributable to an increase in cash used for share repurchases in 2018.

During the first nine months of 2018, we used cash to repurchase 5.7 million shares for \$1,108 million. In the third quarter of 2018, we repurchased shares for approximately \$6 million which settled in October 2018. We entered into an accelerated share repurchase ("ASR") agreement with a financial institution on March 6, 2018 to initiate share repurchases aggregating \$1 billion. The ASR agreement was structured as an uncapped ASR agreement in which we paid \$1 billion and received an initial delivery of approximately 4.5 million shares, representing 85% of the \$1 billion at a price equal to the then market price of the Company. We completed the ASR agreement on September 25, 2018 and received an additional 0.6 million shares. We repurchased a total of 5.1 million shares under the ASR agreement for an average purchase price of \$197.49 per share. The total number of shares repurchased under the ASR agreement is equal to \$1 billion divided by the volume weighted-average share price, less a discount. The repurchased shares are held in Treasury. The ASR agreement was executed under the current share repurchase program, approved by the Board of Directors on December 4, 2013. During the first nine months of 2017, we used cash to repurchase 5.4 million shares for \$846 million.

Additional Financing

We have the ability to borrow a total of \$1.2 billion through our commercial paper program, which is supported by our revolving \$1.2 billion five-year credit agreement (our "credit facility") that we entered into on June 30, 2017. This credit facility will terminate on June 30, 2022. As of September 30, 2018 and December 31, 2017, there were no commercial paper borrowings outstanding.

Depending on our corporate credit rating, we pay a commitment fee of 8 to 17.5 basis points for our credit facility, whether or not amounts have been borrowed. We currently pay a commitment fee of 10 basis points. The interest rate on borrowings under our credit facility is, at our option, calculated using rates that are primarily based on either the prevailing London Inter-Bank Offer Rate, the prime rate determined by the administrative agent or the Federal Funds Rate. For certain borrowings under this credit facility, there is also a spread based on our corporate credit rating.

Our credit facility contains certain covenants. The only financial covenant requires that our indebtedness to cash flow ratio, as defined in our credit facility, is not greater than 4 to 1, and this covenant level has never been exceeded.

On August 8, 2018, Moody's Investors Service, Inc. upgraded our long-term debt rating to A3 from Baa1, affirmed our P-2 short-term/commercial paper rating and the ratings outlook was maintained at stable. On October 12, 2018, Fitch Ratings upgraded our long-term debt rating to A- from BBB+, affirmed our F2 short-term/commercial paper rating and the ratings outlook was maintained at stable.

Dividends

On February 2, 2018, the Board of Directors approved an increase in the quarterly common stock dividend from \$0.41 per share to \$0.50 per share.

RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION

Free cash flow is a non-GAAP financial measure and reflects our cash flow provided by operating activities less capital expenditures and distributions to noncontrolling interest holders. Capital expenditures include purchases of property and equipment and additions to technology projects. Our cash flow provided by operating activities is the most directly comparable U.S. GAAP financial measure to free cash flow. Additionally, we have considered certain items in evaluating free cash flow, which are included in the table below.

We believe the presentation of free cash flow and free cash flow excluding certain items allows our investors to evaluate the cash generated from our underlying operations in a manner similar to the method used by management. We use free cash flow to conduct and evaluate our business because we believe it typically presents a more conservative measure of cash flows since capital expenditures and distributions to noncontrolling interest holders are considered a necessary component of ongoing operations. Free cash flow is useful for management and investors because it allows management and investors to evaluate the cash available to us to prepay debt, make strategic acquisitions and investments and repurchase stock.

The presentation of free cash flow and free cash flow excluding certain items are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. Free cash flow, as we calculate it, may not be comparable to similarly titled measures employed by other companies. The following table presents a reconciliation of our cash flow provided by operating activities to free cash flow excluding the impact of the item below for the nine months ended September 30:

(in millions)	2018	2017	% Change
Cash provided by operating activities	\$ 1,401	\$ 1,203	16%
Capital expenditures	(88)	(77)	
Distributions to noncontrolling interest holders	(116)	(69)	
Free cash flow	1,197	1,057	13%
Tax on gain from sale of SPSE and CMA	—	67	
Payment of legal settlements	180	4	
Settlement of prior-year tax audits	71	—	
Tax benefit from legal settlements	(44)	—	
Free cash flow excluding above items	\$ 1,404	\$ 1,128	24%

(in millions)	2018	2017	% Change
Cash used for investing activities	(346)	(155)	N/M
Cash used for financing activities	(1,579)	(1,211)	30%

N/M - not meaningful

CRITICAL ACCOUNTING ESTIMATES

Our accounting policies are described in Note 1 — *Accounting Policies* to the consolidated financial statements in our most recent Form 10-K. As discussed in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in our most recent Form 10-K, we consider an accounting estimate to be critical if it required assumptions to be made that were uncertain at the time the estimate was made and changes in the estimate or different estimates could have a material effect on our results of operations. These critical estimates include those related to revenue recognition, allowance for doubtful accounts, valuation of long-lived assets, goodwill and other intangible assets, pension plans, incentive compensation and stock-based compensation, income taxes, contingencies and redeemable non-controlling interests. We base our estimates on historical experience, current developments and on various other assumptions that we believe to be reasonable under these circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that cannot readily be determined from other sources. There can be no assurance that actual results will not differ from those estimates. Since the date of our most recent Form 10-K, we adopted Financial Accounting Standards Board Accounting Standards Codification ("ASC") 606. There have been no other material changes to our critical accounting policies and estimates.

RECENTLY ISSUED OR ADOPTED ACCOUNTING STANDARDS

See Note 13 – *Recently Issued or Adopted Accounting Standards* to the consolidated financial statements of this Form 10-Q for further information.

FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements,” as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management’s current views concerning future events, trends, contingencies or results, appear at various places in this report and use words like “anticipate,” “assume,” “believe,” “continue,” “estimate,” “expect,” “forecast,” “future,” “intend,” “plan,” “potential,” “predict,” “project,” “strategy,” “target” and similar terms, and future or conditional tense verbs like “could,” “may,” “might,” “should,” “will” and “would.” For example, management may use forward-looking statements when addressing topics such as: the outcome of contingencies; future actions by regulators; changes in the Company’s business strategies and methods of generating revenue; the development and performance of the Company’s services and products; the expected impact of acquisitions and dispositions; the Company’s effective tax rates; and the Company’s cost structure, dividend policy, cash flows or liquidity.

Forward-looking statements are subject to inherent risks and uncertainties. Factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements include, among other things:

- the impact of the recent acquisition of Kensho, including the impact on the Company’s results of operations; any failure to successfully integrate Kensho into the Company’s operations; any failure to attract and retain key employees; and the risk of litigation, unexpected costs, charges or expenses relating to the acquisition;
- worldwide economic, financial, political and regulatory conditions, including geopolitical uncertainty and conditions that may result from legislative, regulatory, trade and policy changes associated with the current U.S. administration or the United Kingdom’s withdrawal from the European Union;
- the rapidly evolving regulatory environment, in Europe, the United States and elsewhere, affecting Ratings, S&P Global Platts, Indices, and S&P Global Market Intelligence, including new and amended regulations and the Company’s compliance therewith;
- our ability to make acquisitions and dispositions and successfully integrate the businesses we acquire;
- the outcome of litigation, government and regulatory proceedings, investigations and inquiries;
- the health of debt and equity markets, including credit quality and spreads, the level of liquidity and future debt issuances and the potentially adverse impact of increased access to cash resulting from the Tax Cuts and Jobs Act;
- the demand and market for credit ratings in and across the sectors and geographies where the Company operates;
- concerns in the marketplace affecting the Company’s credibility or otherwise affecting market perceptions of the integrity or utility of independent credit ratings;
- the effect of competitive products and pricing, including the level of success of new product developments and global expansion;
- consolidation in the Company’s end-customer markets;
- the Company’s ability to maintain adequate physical, technical and administrative safeguards to protect the security of confidential information and data, and the potential of a system or network disruption that results in regulatory penalties, remedial costs or improper disclosure of confidential information or data;
- the introduction of competing products or technologies by other companies;
- the impact of customer cost-cutting pressures, including in the financial services industry and the commodities markets;
- a decline in the demand for credit risk management tools by financial institutions;
- the level of merger and acquisition activity in the United States and abroad;
- the volatility of the energy marketplace;
- the health of the commodities markets;
- our ability to attract, incentivize and retain key employees;
- the Company’s ability to successfully recover should it experience a disaster or other business continuity problem from a hurricane, flood, earthquake, terrorist attack, pandemic, security breach, cyber-attack, power loss, telecommunications failure or other natural or man-made event;
- our ability to adjust to changes in European and United Kingdom markets as the United Kingdom leaves the European Union, and the impact of the United Kingdom’s departure on our credit rating activities and other European and United Kingdom offerings;
- changes in applicable tax or accounting requirements;
- guidance and information regarding the implementation of the Tax Cuts and Jobs Act;
- the level of the Company’s future cash flows and capital investments;
- the impact on the Company’s revenue and net income caused by fluctuations in foreign currency exchange rates; and
- the Company’s exposure to potential criminal sanctions or civil penalties if it fails to comply with foreign and U.S. laws and regulations that are applicable in the domestic and international jurisdictions in which it operates, including sanctions laws relating to countries such as Iran, Russia, Sudan and Syria, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010, and local laws prohibiting corrupt payments to government officials, as well as import and export restrictions.

The factors noted above are not exhaustive. The Company and its subsidiaries operate in a dynamic business environment in which new risks emerge frequently. Accordingly, the Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made, except as required by applicable law. Further information about the Company's businesses, including information about factors that could materially affect its results of operations and financial condition, is contained in the Company's filings with the SEC, including the "Risk Factors" section in the Company's most recently filed Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk includes changes in foreign exchange rates. We have operations in foreign countries where the functional currency is primarily the local currency. For international operations that are determined to be extensions of the parent company, the U.S. dollar is the functional currency. We typically have naturally hedged positions in most countries from a local currency perspective with offsetting assets and liabilities. As of September 30, 2018 and December 31, 2017, we entered into foreign exchange forward contracts in order to mitigate the change in fair value of specific assets and liabilities in the consolidated balance sheet. These forward contracts are not designated as hedges and do not qualify for hedge accounting. As of September 30, 2018 and December 31, 2017, we entered into foreign exchange forward contracts to hedge the effect of adverse fluctuations in foreign currency exchange rates. We have not entered into any derivative financial instruments for speculative purposes. See Note 5 - *Derivative Instruments* to the consolidated financial statements of this Form 10-Q for further discussion.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed so that information required to be disclosed in our reports filed with the U.S. Securities and Exchange Commission (the “SEC”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2018, an evaluation was performed under the supervision and with the participation of management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of September 30, 2018.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

See Note 12 – *Commitments and Contingencies - Legal & Regulatory Matters* to the consolidated financial statements of this Form 10-Q for information on our legal proceedings.

Item 1a. Risk Factors

Our most recent Form 10-K contains detailed cautionary statements which identify all known material risks, uncertainties and other factors that could cause our actual results to differ materially from historical or expected results. There have been no material changes to the risk factors we have previously disclosed in Item 1a, Risk Factors, in our most recent Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On December 4, 2013, the Board of Directors approved a share repurchase program authorizing the purchase of up to 50 million shares, which was approximately 18% of the Company's outstanding shares at that time. During the third quarter of 2018, we repurchased 0.7 million shares which included shares received from the conclusion of our accelerated share repurchase ("ASR") agreement that we entered into on March 6, 2018. Further discussion relating to our ASR agreement can be found in Note 8 - *Equity*. As of September 30, 2018, 13.3 million shares remained under our current share repurchase program.

Repurchased shares may be used for general corporate purposes, including the issuance of shares for stock compensation plans and to offset the dilutive effect of the exercise of employee stock options. Our current share repurchase program has no expiration date and purchases under this program may be made from time to time on the open market and in private transactions, depending on market conditions.

The following table provides information on our purchases of our outstanding common stock during the third quarter of 2018 pursuant to our current share repurchase program (column c). In addition to these purchases, the number of shares in column (a) include shares of common stock that are tendered to us to satisfy our employees' tax withholding obligations in connection with the vesting of awards of restricted shares (we repurchase such shares based on their fair market value on the vesting date).

There were no other share repurchases during the quarter outside the repurchases noted below.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Programs	(d) Maximum Number of Shares that may yet be Purchased Under the Programs
July 1 — July 31, 2018	2,994	206.17	—	14.0
August 1 — August 31, 2018	2,335	199.58	—	14.0
September 1 — September 30, 2018 ¹	680,970	205.16	678,570	13.3
Total — Quarter¹	686,299	\$ 205.03	678,570	13.3

¹ Average price paid per share information does not include the accelerated share repurchase transaction as discussed in more detail above.

Item 5. Other Information

IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT DISCLOSURE

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which amended the Securities Exchange Act of 1934, an issuer is required to disclose in its annual or quarterly reports, as applicable, whether, during the reporting period, it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with individuals or entities designated pursuant to certain Executive Orders. Disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with applicable laws and regulations.

Revenue during the third quarter of 2018 attributable to the transactions or dealings by the Company described below was approximately \$1.15 million with net profit from such sales being a fraction of the revenues.

During the third quarter of 2018, Platts, a division of the Company that provides energy-related information in over 150 countries, sold information and informational materials, which are generally exempt from U.S. economic sanctions, to 12 subscribers that are owned or controlled, or appear to be owned or controlled, by the Government of Iran (the “GOI”). The Company, among other things, offers customers that subscribe to its publications access to proprietary data, analytics, and industry information that enable commodities markets to perform with greater transparency and efficiency. This division provided such data related to the energy and petrochemicals markets to the subscribers referenced above, generating revenue that was a *de minimis* portion of both the division's and the Company's revenue. Eight of the subscribers are designated by OFAC as GOI entities; and four appear, based on publicly available information, to be owned or controlled by GOI entities. We believe that these transactions were permissible under U.S. sanctions pursuant to certain statutory and regulatory exemptions for the exportation of information and informational materials. The Company will continue to monitor its provision of products and services to these Iranian customers so that such activity continues to be permissible under U.S. sanctions.

Item 6. Exhibits

- (12) [Computation of Ratio of Earnings to Fixed Charges](#)
- (15) [Letter on Unaudited Interim Financials](#)
- (31.1) [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act of 1934, as amended](#)
- (31.2) [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act of 1934, as amended](#)
- (32) [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- (101.INS) XBRL Instance Document
- (101.SCH) XBRL Taxonomy Extension Schema
- (101.CAL) XBRL Taxonomy Extension Calculation Linkbase
- (101.LAB) XBRL Taxonomy Extension Label Linkbase
- (101.PRE) XBRL Taxonomy Extension Presentation Linkbase
- (101.DEF) XBRL Taxonomy Extension Definition Linkbase

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

S&P Global Inc.

Registrant

Date: October 25, 2018

By: /s/ Ewout L. Steenbergen

Ewout L. Steenbergen

Executive Vice President and Chief Financial Officer

Date: October 25, 2018

By: /s/ Christopher F. Craig

Christopher F. Craig

Senior Vice President, Controller and Chief Accounting Officer

61

[\(Back To Top\)](#)

Section 2: EX-12 (EXHIBIT 12)

Exhibit (12)

S&P Global Inc. Computation of Ratio of Earnings to Fixed Charges (in millions)

	Nine months ended September 30,		Years ended December 31,			
	2018	2017	2016	2015	2014	2013
Earnings:						
Income from continuing operations before taxes on income	\$ 2,010	\$ 2,461	\$ 3,188	\$ 1,815	\$ 54	\$ 1,299
Fixed charges	167	211	243	162	118	124
Total earnings	<u>\$ 2,177</u>	<u>\$ 2,672</u>	<u>\$ 3,431</u>	<u>\$ 1,977</u>	<u>\$ 172</u>	<u>\$ 1,423</u>
Fixed charges:						
Interest expense	\$ 121	\$ 147	\$ 179	\$ 101	\$ 58	\$ 62
Portion of rental payments deemed to be interest	42	59	59	59	59	61
Amortization of debt issuance costs and discount	4	5	5	2	1	1
Total fixed charges	<u>\$ 167</u>	<u>\$ 211</u>	<u>\$ 243</u>	<u>\$ 162</u>	<u>\$ 118</u>	<u>\$ 124</u>
Ratio of earnings to fixed charges:	13.0 x	12.7 x	14.1 x	12.2 x	1.5 x	11.5 x

[\(Back To Top\)](#)

Section 3: EX-15 (EXHIBIT 15)

The Board of Directors and Shareholders of
S&P Global Inc.

We are aware of the incorporation by reference in the following Registration Statements:

1. Registration Statement on Form S-8 (No. 33-49743) pertaining to the 1993 Key Employee Stock Incentive Plan,
2. Registration Statements on Form S-8 (No.333-30043 and No. 333-40502) pertaining to the 1993 Employee Stock Incentive Plan,
3. Registration Statement on Form S-8 (No. 333-92224) pertaining to the 2002 Stock Incentive Plan,
4. Registration Statement on Form S-8 (No. 333-116993) pertaining to the Amended and Restated 2002 Stock Incentive Plan,
5. Registration Statement on Form S-8 (No. 333-06871) pertaining to the Director Deferred Stock Ownership Plan,
6. Registration Statement on Form S-8 (No. 33-50856) pertaining to the Savings Incentive Plan of McGraw-Hill, Inc. and its Subsidiaries, the Employee Retirement Account Plan of McGraw-Hill, Inc. and its Subsidiaries, the Standard & Poor's Savings Incentive Plan for Represented Employees, the Standard & Poor's Employee Retirement Account Plan for Represented Employees, the Employees' Investment Plan of McGraw-Hill Broadcasting Company, Inc. and its Subsidiaries,
7. Registration Statement on Form S-8 (No. 333-126465) pertaining to the Savings Incentive Plan of The McGraw-Hill Companies, Inc. and its Subsidiaries, the Employee Retirement Account Plan of The McGraw-Hill Companies, Inc. and its Subsidiaries, the Standard & Poor's Savings Incentive Plan for Represented Employees, and the Standard & Poor's Employee Retirement Account Plan for Represented Employees,
8. Registration Statement on Form S-8 (No. 333-157570) pertaining to the 401(k) Savings and Profit Sharing Plan of The McGraw-Hill Companies, Inc. and its Subsidiaries,
9. Registration Statement on Form S-8 (No. 333-167885) pertaining to the Amended and Restated 2002 Stock Incentive Plan, and
10. Registration Statement on Form S-3 (No. 333-224198) pertaining to the Common Stock, Preferred Stock, Debt Securities, Warrants, Purchase Contracts, Units and Guarantees of Debt Securities of S&P Global Inc.;

of our report dated October 25, 2018 relating to the unaudited consolidated interim financial statements of S&P Global Inc., which are included in its Form 10-Q for the quarter ended September 30, 2018.

/s/ ERNST & YOUNG LLP

New York, New York
October 25, 2018

[\(Back To Top\)](#)

Section 4: EX-31.1 (EXHIBIT 31.1)

Exhibit (31.1)

Certification pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended

I, Douglas L. Peterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of S&P Global Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our

supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 25, 2018

/s/ Douglas L. Peterson

Douglas L. Peterson

President and Chief Executive Officer

[\(Back To Top\)](#)

Section 5: EX-31.2 (EXHIBIT 31.2)

Exhibit (31.2)

Certification pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended

I, Ewout L. Steenbergen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of S&P Global Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 25, 2018

/s/ Ewout L. Steenbergen

Ewout L. Steenbergen

Executive Vice President and Chief Financial Officer

[\(Back To Top\)](#)

Section 6: EX-32 (EXHIBIT 32)

Exhibit (32)

Certifications pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, each of the undersigned officers of S&P Global Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

This quarterly report on Form 10-Q of the Company for the quarter ended September 30, 2018 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

The information contained in this quarterly report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 25, 2018

/s/ Douglas L. Peterson

Douglas L. Peterson

President and Chief Executive Officer

Date: October 25, 2018

/s/ Ewout L. Steenbergen

Ewout L. Steenbergen

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

[\(Back To Top\)](#)