

ECOLAB INC.
Form 10-Q
May 03, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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 No. 1-9328

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ECOLAB INC.

(Exact name of registrant as specified in its charter)

Delaware	41-0231510
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Ecolab Place, St. Paul, Minnesota 55102

(Address of principal executive offices)(Zip Code)

1-800-232-6522

(Registrant's telephone number, including area code)

(Not applicable)

(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 31, 2018.

288,520,477 shares of common stock, par value \$1.00 per share.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(millions, except per share amounts)	First Quarter Ended March 31	
	2018	2017
Product and equipment sales	\$2,847.2	\$2,604.4
Service and lease sales	623.7	558.0
Net sales	3,470.9	3,162.4
Product and equipment cost of sales	1,696.6	1,500.7
Service and lease cost of sales	385.5	351.1
Cost of sales (including special charges (a))	2,082.1	1,851.8
Selling, general and administrative expenses	1,008.5	947.2
Special (gains) and charges	26.0	6.2
Operating income	354.3	357.2
Other (income) expense	(19.4)	(16.8)
Interest expense, net	56.4	62.5
Income before income taxes	317.3	311.5
Provision for income taxes	69.1	54.2
Net income including noncontrolling interest	248.2	257.3
Net income attributable to noncontrolling interest	0.9	3.3
Net income attributable to Ecolab	\$247.3	\$254.0
Earnings attributable to Ecolab per common share		
Basic	\$ 0.86	\$ 0.87
Diluted	\$ 0.84	\$ 0.86
Dividends declared per common share		
	\$0.410	\$0.370
Weighted-average common shares outstanding		
Basic	288.6	290.6
Diluted	292.7	295.0

- (a) Cost of sales includes special charges of \$1.5 million in the first quarter of 2017, which is recorded in product and equipment cost of sales.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(millions)	First Quarter Ended March 31	
	2018	2017
Net income including noncontrolling interest	\$248.2	\$257.3
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments		
Foreign currency translation	115.6	81.0
Gain (loss) on net investment hedges	(26.2)	2.8
	89.4	83.8
Derivatives and hedging instruments	(2.1)	(9.2)
Pension and postretirement benefits		
Amortization of net actuarial loss and prior service costs included in net periodic pension and postretirement costs	0.3	3.3
	0.3	3.3
Subtotal	87.6	77.9
Total comprehensive income, including noncontrolling interest	335.8	335.2
Comprehensive income attributable to noncontrolling interest	3.4	4.5
Comprehensive income attributable to Ecolab	\$332.4	\$330.7

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(unaudited)

(millions, except shares and per share amounts)	March 31 2018	December 31 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$175.5	\$211.4
Accounts receivable, net	2,574.3	2,571.4
Inventories	1,541.8	1,446.5
Other current assets	305.2	365.0
Total current assets	4,596.8	4,594.3
Property, plant and equipment, net	3,779.9	3,707.1
Goodwill	7,303.0	7,167.1
Other intangible assets, net	4,012.2	4,017.6
Other assets	492.4	477.4
Total assets	\$20,184.3	\$19,963.5
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debt	\$1,017.8	\$564.4
Accounts payable	1,229.1	1,177.1
Compensation and benefits	497.0	549.4
Income taxes	170.0	183.6
Other current liabilities	1,068.9	1,000.7
Total current liabilities	3,982.8	3,475.2
Long-term debt	6,397.7	6,758.3
Postretirement health care and pension benefits	1,027.7	1,025.5
Deferred income taxes	652.8	635.4
Other liabilities	453.4	415.3
Total liabilities	12,514.4	12,309.7
Equity (a)		
Common stock	355.5	354.7
Additional paid-in capital	5,496.5	5,435.7
Retained earnings	8,097.0	8,011.6
Accumulated other comprehensive loss	(1,558.3)	(1,643.4)
Treasury stock	(4,789.7)	(4,575.0)
Total Ecolab shareholders' equity	7,601.0	7,583.6
Noncontrolling interest	68.9	70.2
Total equity	7,669.9	7,653.8
Total liabilities and equity	\$20,184.3	\$19,963.5

(a) Common stock, 800.0 million shares authorized, \$1.00 par value per share, 288.5 million shares outstanding at March 31, 2018 and 289.3 million shares outstanding at December 31, 2017. Shares outstanding are net of treasury stock.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(millions)	First Quarter Ended March 31	
	2018	2017
OPERATING ACTIVITIES		
Net income including noncontrolling interest	\$248.2	\$257.3
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	150.9	142.2
Amortization	80.2	73.8
Deferred income taxes	13.3	3.3
Share-based compensation expense	33.7	30.9
Pension and postretirement plan contributions	(23.0)	(23.0)
Pension and postretirement plan expense	8.6	8.8
Restructuring charges, net of cash paid	(7.7)	(6.2)
Other, net	4.9	4.7
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	33.9	76.4
Inventories	(77.2)	(67.5)
Other assets	(1.0)	(13.7)
Accounts payable	40.4	12.9
Other liabilities	(18.0)	(74.2)
Cash provided by operating activities	487.2	425.7
INVESTING ACTIVITIES		
Capital expenditures	(203.3)	(167.5)
Property and other assets sold	0.5	0.5
Acquisitions and investments in affiliates, net of cash acquired	(76.5)	(826.6)
Divestiture of businesses	9.4	-
Settlement of net investment hedges	14.1	-
Other, net	-	(1.7)
Cash used for investing activities	(255.8)	(995.3)
FINANCING ACTIVITIES		
Net issuances of commercial paper and notes payable	354.3	858.8
Long-term debt repayments	(300.6)	(0.4)
Reacquired shares	(215.1)	(374.5)
Dividends paid	(123.4)	(113.2)
Exercise of employee stock options	28.4	25.7
Acquisition related liabilities and contingent consideration	(8.6)	-
Other, net	-	(0.9)
Cash (used for) provided by financing activities	(265.0)	395.5
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2.3)	5.8

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Decrease in cash, cash equivalents and restricted cash	(35.9)	(168.3)
Cash, cash equivalents and restricted cash, beginning of period (a)	211.4	380.4
Cash, cash equivalents and restricted cash, end of period (b)	\$175.5	\$212.1

- (a) 2017 includes \$53.0 million of restricted cash related to the Anios transaction, which was included in other assets on the Consolidated Balance Sheet as of December 31, 2016.
- (b) There was no restricted cash as of March 31, 2018 or 2017.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF EQUITY

(unaudited)

	Ecolab Shareholders					Ecolab	Non-
(millions)	Common	Additional	Retained	OCI	Treasury	Shareholders'	Controll
Balance, December 31, 2015	Stock	Paid-in Capital	Earnings	(Loss)	Stock	Equity	Interest
	\$350.3	\$5,086.1	\$6,160.3	\$(1,423.3)	\$(3,263.5)	\$6,909.9	\$70.5
New accounting guidance adoption (a)			(29.3)			(29.3)	
Net income			1,229.0			1,229.0	17.5
Comprehensive income (loss)							
activity				(289.6)		(289.6)	(1.3)
Cash dividends declared			(414.9)			(414.9)	(16.9)
Stock options and awards	2.3	200.2			3.2	205.7	
Reacquired shares		(15.5)			(724.1)	(739.6)	
Balance, December 31, 2016	352.6	5,270.8	6,945.1	(1,712.9)	(3,984.4)	6,871.2	69.8
New accounting guidance adoption (b)			1.9			1.9	
Net income			1,504.6			1,504.6	14.0
Comprehensive income (loss)							
activity				69.5		69.5	1.7
Cash dividends declared			(440.0)			(440.0)	(19.3)
Acquisition of noncontrolling interests							4.0
Stock options and awards	2.1	170.3			4.3	176.7	
Reacquired shares		(5.4)			(594.9)	(600.3)	
	354.7	5,435.7	8,011.6	(1,643.4)	(4,575.0)	7,583.6	70.2

Balance, December 31, 2017							
New accounting guidance adoption (c)			(43.6)			(43.6)	
Net income			247.3			247.3	0.9
Comprehensive income (loss) activity				85.1		85.1	2.5
Cash dividends declared			(118.3)			(118.3)	(4.7)
Stock options and awards	0.8	60.8			0.4	62.0	
Reacquired shares		-			(215.1)	(215.1)	
Balance, March 31, 2018	\$355.5	\$5,496.5	\$8,097.0	\$(1,558.3)	\$(4,789.7)	\$7,601.0	\$68.9

- (a) Upon adoption of Topic 606, Revenue from Contracts with Customers and the related amendments (“the new revenue standard”), the Company changed its accounting policy for revenue recognition and has established deferred revenue for service revenues with the cumulative effect reflected as an adjustment to retained earnings.
- (b) In 2017, upon adoption of ASU 2016-09, Compensation – Stock Compensation, the Company released a valuation allowance for previously unrecognized excess tax benefits resulting in an adjustment to retained earnings.
- (c) Upon adoption of ASU 2016-16, Intra-Entity Transfers of Assets Other than Inventory, the Company recorded an adjustment to retained earnings representing the write-off of income tax effects that had been deferred from past transactions and the recording of deferred tax assets which previously were not allowed to be recognized.

See Note 17 for additional information regarding adoption of new accounting standards.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. CONSOLIDATED FINANCIAL INFORMATION

The unaudited consolidated financial information for the first quarter ended March 31, 2018 and 2017 reflect, in the opinion of company management, all adjustments necessary for a fair statement of the financial position, results of operations, comprehensive income (loss), equity and cash flows of Ecolab Inc. ("Ecolab" or "the Company") for the interim periods presented. Any adjustments consist of normal recurring items.

The financial results for any interim period are not necessarily indicative of results for the full year. The consolidated balance sheet data as of December 31, 2017 was derived from the audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. The unaudited consolidated financial information should be read in conjunction with the consolidated financial statements and notes thereto incorporated in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Certain amounts in prior periods have been reclassified to conform to the current period presentation. The reclassifications are primarily related to the adoption of new accounting standards as described further in Note 17. Except for the changes due to the adoption of the new accounting standards, the Company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

With respect to the unaudited financial information of the Company for the first quarter ended March 31, 2018 and 2017 included in this Form 10-Q, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. Their separate report dated May 3, 2018 appearing herein states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933, as amended (the "Act"), for their report on the unaudited financial information because that report is not a "report" or a "part" of a registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

2. SPECIAL (GAINS) AND CHARGES

Special (gains) and charges reported on the Consolidated Statement of Income include the following:

(millions)	First Quarter Ended March 31	
	2018	2017
Cost of sales		
Acquisition and integration costs	-	1.5
Special (gains) and charges		
Restructuring activities	0.3	(0.3)
Acquisition and integration costs	0.5	6.3
Other	25.2	0.2
Subtotal	26.0	6.2
Total special (gains) and charges	\$26.0	\$7.7

For segment reporting purposes, special (gains) and charges are not allocated to reportable segments, which is consistent with the Company's internal management reporting.

Restructuring activities

During the second quarter of 2017, the Company commenced restructuring and other cost-saving actions in order to streamline operations. These actions include a reduction of the Company's global workforce by approximately 570 positions, as well as asset disposals and lease terminations. Actions were substantially completed in 2017. The Company also has restructuring plans that commenced prior to 2015. Net restructuring charges were \$0.3 million (\$0.3 million after tax) and net restructuring gains were \$0.3 million (\$0.2 million after tax) in the first quarter of 2018 and 2017, respectively. The restructuring liability balance for all plans was \$34.0 million and \$41.5 million as of March 31, 2018 and December 31, 2017, respectively. The reduction in liability was driven primarily by severance and other cash payments. The majority of pretax charges represent net cash expenditures which are expected to be paid over a period of a few months to several quarters and will continue to be funded from operating activities. Cash payments during 2018 related to restructuring plans were \$7.9 million.

Restructuring activities have been included as a component of special (gains) and charges on the Consolidated Statement of Income. Restructuring liabilities have been classified as a component of both other current and other

noncurrent liabilities on the Consolidated Balance Sheet.

Acquisition and integration related costs

Acquisition and integration costs reported in special (gains) and charges on the Consolidated Statement of Income include \$0.5 million (\$0.3 million after tax) and \$6.3 million (\$4.2 million after tax) in the first quarter of 2018 and 2017, respectively. Charges are related to acquisition costs, advisory and legal fees, and integration charges for acquisitions. Acquisition and integration costs reported in product and equipment cost of sales on the Consolidated Statement of Income in the first quarter of 2017 relate to recognition of fair value step-up in the Anios inventory.

Further information related to the Company's acquisitions is included in Note 3.

Other

During the first quarter of 2018, the Company recorded other special charges of \$25.2 million, which primarily consisted of a \$25.0 million (\$18.9 million after tax) commitment to the Ecolab Foundation in response to the new U.S. tax law. Other charges were minimal in both the first quarter of 2018 and 2017.

3. ACQUISITIONS AND DISPOSITIONS

Acquisitions

The Company makes acquisitions that align with its strategic business objectives. The assets and liabilities of the acquired entities have been recorded as of the acquisition date, at their respective fair values, and are included in the Consolidated Balance Sheet. The purchase price allocation is based on estimates of the fair value of assets acquired and liabilities assumed. The aggregate purchase price of acquisitions has been reduced for any cash or cash equivalents acquired with the acquisition. Acquisitions during the first three months of 2018 and 2017 were not significant to the Company's consolidated financial statements; therefore, pro forma financial information is not presented.

Anios Acquisition

On February 1, 2017, the Company acquired Anios for total consideration of \$798.3 million, including satisfaction of outstanding debt. Anios had annualized pre-acquisition sales of approximately \$245 million and is a leading European manufacturer and marketer of hygiene and disinfection products for the healthcare, food service, and food and beverage processing industries. Anios provides an innovative product line that expands the solutions the Company is able to offer, while also providing a complementary geographic footprint within the healthcare market. During 2016, the Company deposited €50 million in an escrow account that was released back to the Company upon closing of the transaction in February 2017.

The Company incurred certain acquisition and integration costs associated with the transaction that were expensed and are reflected in the Consolidated Statement of Income. See Note 2 for additional information related to the Company's special (gains) and charges related to such activities.

The components of the cash paid for Anios are shown in the following table.

(millions)	2017
Tangible assets	\$139.8
Identifiable intangible assets	
Customer relationships	252.0
Trademarks	65.7
Other technology	16.1
Total assets acquired	473.6
Goodwill	511.7

Total liabilities	187.0
Total consideration transferred	798.3
Long-term debt repaid upon close	192.8
Net consideration transferred to sellers	\$605.5

Tangible assets are primarily comprised of accounts receivable of \$64.8 million, property, plant and equipment of \$24.7 million and inventory of \$29.1 million. Liabilities primarily consist of deferred tax liabilities of \$102.3 million and current liabilities of \$62.5 million.

Customer relationships, trademarks, and other technology are being amortized over weighted average lives of 20, 17, and 11 years, respectively.

Goodwill of \$511.7 million arising from the acquisition consists largely of the synergies and economies of scale expected through adding complementary geographies and innovative products to the Company's healthcare portfolio. The goodwill was allocated to the Institutional, Healthcare, and Specialty operating segments within the Global Institutional reportable segment and the Food & Beverage and Life Sciences operating segments within the Global Industrial reportable segment. None of the goodwill recognized is expected to be deductible for income tax purposes. The purchase price allocation was completed during the fourth quarter of 2017.

Other Acquisitions

During the first quarter of 2018, the Company paid \$76.5 million for acquisitions, of which \$47.3 million was attributed to certain identifiable intangible assets. The weighted average useful life of these identifiable intangible assets acquired was 11 years.

Excluding the Anios acquisition, during the first quarter of 2017, the Company paid \$28.0 million for acquisitions, of which \$18.4 million was attributed to certain identifiable intangible assets. The weighted average useful life of these identifiable intangible assets acquired was 12 years. Additionally, there were insignificant purchase price adjustments related to prior year acquisitions.

Dispositions

There were no significant business dispositions during the first quarter of 2018, and there were no business dispositions in the first quarter of 2017. In November 2017, the Company completed the sale of its Equipment Care business to a third party. Annualized Equipment Care sales were approximately \$180 million and were included in the Other segment.

4. BALANCE SHEET INFORMATION

(millions)	March 31 2018	December 31 2017
Accounts receivable, net		
Accounts receivable	\$2,648.2	\$2,642.9
Allowance for doubtful accounts	(73.9)	(71.5)
Total	\$2,574.3	\$2,571.4
Inventories		
Finished goods	\$1,032.0	\$974.9
Raw materials and parts	483.3	438.7
Inventories at FIFO cost	1,515.3	1,413.6
FIFO cost to LIFO cost difference	26.5	32.9
Total	\$1,541.8	\$1,446.5
Other current assets		
Prepaid assets	\$140.0	\$153.5
Taxes receivable	118.0	129.2
Derivative assets	6.7	28.8
Other	40.5	53.5
Total	\$305.2	\$365.0
Property, plant and equipment, net		
Land	\$230.8	\$224.1
Buildings and leasehold improvements	1,241.1	1,207.4
Machinery and equipment	2,334.0	2,280.9
Merchandising and customer equipment	2,486.1	2,399.4
Capitalized software	618.2	585.8
Construction in progress	418.0	438.7
	7,328.2	7,136.3
Accumulated depreciation	(3,548.3)	(3,429.2)
Total	\$3,779.9	\$3,707.1
Other intangible assets, net		
Intangible assets not subject to amortization		
Trade names	\$1,230.0	\$1,230.0
Intangible assets subject to amortization		
Customer relationships	\$3,668.0	\$3,620.3
Trademarks	381.5	380.6
Patents	467.7	462.7
Other technology	269.1	232.6
	4,786.3	4,696.2
Accumulated amortization		
Customer relationships	(1,477.7)	(1,403.8)
Trademarks	(155.2)	(147.6)
Patents	(194.2)	(187.9)
Other technology	(177.0)	(169.3)

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	(2,004.1)	(1,908.6)
Net intangible assets subject to amortization	2,782.2	2,787.6
Total	\$4,012.2	\$4,017.6
Other assets		
Deferred income taxes	\$104.4	\$105.4
Pension	45.6	41.7
Other	342.4	330.3
Total	\$492.4	\$477.4

(millions)	March 31 2018	December 31 2017
Other current liabilities		
Discounts and rebates	\$289.8	\$267.2
Dividends payable	118.3	118.6
Interest payable	78.2	50.7
Taxes payable, other than income	102.9	129.9
Derivative liabilities	89.3	62.2
Restructuring	28.6	36.0
Contract liability	88.2	79.0
Other	273.6	257.1
Total	\$1,068.9	\$1,000.7
Accumulated other comprehensive loss		
Unrealized loss on derivative financial instruments, net of tax	\$(28.5)	\$(26.4)
Unrecognized pension and postretirement benefit expense, net of tax	(555.6)	(555.8)
Cumulative translation, net of tax	(974.2)	(1,061.2)
Total	\$(1,558.3)	\$(1,643.4)

5. DEBT AND INTEREST

Short-term Debt

The following table provides the components of the Company's short-term debt obligations as of March 31, 2018 and December 31, 2017.

(millions)	March 31 2018	December 31 2017
Short-term debt		
Commercial paper	\$336.4	\$-
Notes payable	35.7	14.7
Long-term debt, current maturities	645.7	549.7

Total	\$1,017.8	\$564.4
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Line of Credit

As of March 31, 2018, the Company had in place a \$2.0 billion multi-year credit facility which expires in November 2022. The credit facility has been established with a diverse syndicate of banks and supports the Company's U.S. and Euro commercial paper programs. There were no borrowings under the Company's credit facility as of either March 31, 2018 or December 31, 2017.

Commercial Paper

The Company's commercial paper program is used as a potential source of liquidity and consists of a \$2.0 billion U.S. commercial paper program and a \$2.0 billion Euro commercial paper program. The maximum aggregate amount of commercial paper that may be issued by the Company under its commercial paper programs may not exceed \$2.0 billion.

As of March 31, 2018, the Company had \$170.8 million (€140.0 million) of commercial paper outstanding under its Euro program and \$165.6 million commercial paper outstanding under its U.S. program. As of December 31, 2017, the Company had no commercial paper outstanding under either program.

Long-term Debt

The following table provides the components of the Company's long-term debt obligations, including current maturities, as of March 31, 2018 and December 31, 2017.

(millions)	Maturity by Year	March 31 2018	December 31 2017
Long-term debt			
Public and 144A notes (2018 principal amount)			
Three year 2015 senior notes (\$0 million)	2018	-	299.9
Three year 2016 senior notes (\$400 million)	2019	395.6	396.1
Five year 2015 senior notes (\$300 million)	2020	299.2	299.1
Ten year 2011 senior notes (\$1.02 billion)	2021	1,016.7	1,016.6
Five year 2017 senior notes (\$500 million)	2022	496.3	496.3
Seven year 2016 senior notes (\$400 million)	2023	397.7	397.5
Seven year 2016 senior notes (€575 million)	2024	694.3	676.6
Ten year 2015 senior notes (€575 million)	2025	697.0	679.4
Ten year 2016 senior notes (\$750 million)	2026	743.1	742.8
Ten year 2017 144A notes (\$500 million)	2027	494.7	494.7
Thirty year 2011 senior notes (\$458 million)	2041	451.4	451.3
Thirty year 2016 senior notes (\$250 million)	2046	246.0	246.0
Thirty year 2017 144A notes (\$700 million)	2047	608.0	607.8
Private notes (2017 principal amount)			
Series A private placement senior notes (\$250 million)	2018	248.2	248.5
Series B private placement senior notes (\$250 million)	2023	249.4	249.3
Capital lease obligations		4.8	4.6
Other		1.0	1.5
Total debt		7,043.4	7,308.0
Long-term debt, current maturities		(645.7)	(549.7)
Total long-term debt		\$6,397.7	\$6,758.3

Public and 144A Notes

During the first quarter of 2018, pursuant to a registration rights agreement pertaining to the 144A Notes, the Company filed a registration statement regarding an offer to exchange each series of the 144A Notes for new issues of notes registered under the U.S. Securities Act of 1933, as amended. The registration statement was declared effective, and the Company commenced the exchange offer, on March 20, 2018. The exchange offer expired on April 17, 2018, with all of the 144A Notes being exchanged for new notes. The terms of each series of the new notes are substantially identical to the terms of the applicable series of 144A Notes, except that the new notes are registered as mentioned above and the transfer restrictions and registration rights and related special interest provisions applicable to the 144A Notes do not apply to the new notes.

The Company's public notes, including the new notes received upon exchange of the 144A Notes, may be redeemed by the Company at its option at redemption prices that include accrued and unpaid interest and a make-whole premium. Upon the occurrence of a change of control accompanied by a downgrade of the public notes below investment grade rating, within a specified time period, the Company would be required to offer to repurchase the public notes at a price equal to 101% of the aggregate principal amount thereof, plus any accrued and unpaid interest to the date of repurchase. The public notes are senior unsecured and unsubordinated obligations of the Company and rank equally with all other senior and unsubordinated indebtedness of the Company.

Private Notes

The Company's private notes may be redeemed by the Company at its option at redemption prices that include accrued and unpaid interest and a make-whole premium. Upon the occurrence of specified changes of control involving the Company, the Company would be required to offer to repurchase the private notes at a price equal to 100% of the aggregate principal amount thereof, plus any accrued and unpaid interest to the date of repurchase. Additionally, the Company would be required to make a similar offer to repurchase the private notes upon the occurrence of specified merger events or asset sales involving the Company, when accompanied by a downgrade of the private notes below investment grade rating, within a specified time period. The private notes are unsecured senior obligations of the Company and rank equal in right of payment with all other senior indebtedness of the Company. The private notes shall be unconditionally guaranteed by subsidiaries of the Company in certain circumstances, as described in the note purchase agreement as amended.

Covenants

The Company is in compliance with its debt covenants as of March 31, 2018.

Net Interest Expense

Interest expense and interest income recognized during the first quarter of 2018 and 2017 were as follows:

	First Quarter Ended March 31	
(millions)	2018	2017
Interest expense	\$61.0	\$66.6
Interest income	(4.6)	(4.1)
Interest expense, net	\$56.4	\$62.5

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in a business combination. The Company's reporting units are its operating segments.

The Company tests goodwill for impairment on an annual basis during the second quarter. If circumstances change significantly, the Company would also test a reporting unit's goodwill for impairment during interim periods between its annual tests. Based on the current and expected performance of the Company's reporting units, updating the impairment testing during the first quarter of 2018 was not deemed necessary. There has been no impairment of goodwill in any of the years presented.

The changes in the carrying amount of goodwill for each of the Company's reportable segments during the three months ended March 31, 2018 were as follows:

(millions)	Global Industrial	Global Institutional	Global Energy	Other	Total
December 31, 2017	\$2,797.0	\$1,027.0	\$3,203.7	\$139.4	\$7,167.1
Segment change (a)	(71.7)	-	-	71.7	-
December 31, 2017 revised	\$2,725.3	\$1,027.0	\$3,203.7	\$211.1	\$7,167.1
Current year business combinations (b)	20.7	11.8	-	-	32.5
Prior year business combinations (c)	-	-	-	0.1	0.1
Dispositions	-	-	(2.5)	-	(2.5)
Effect of foreign currency translation	40.3	15.3	47.1	3.1	105.8
March 31, 2018	\$2,786.3	\$1,054.1	\$3,248.3	\$214.3	\$7,303.0

- (a) Relates to establishment of the Colloidal Technologies Group (“CTG”) operating segment, which is also a reporting unit. Goodwill was allocated to CTG based on a fair value allocation. The CTG operating segment is included in the Other segment. CTG was previously reported in the Water reporting unit, which is aggregated and reported in the Global Industrial reportable segment. See Note 15 for further information.
- (b) Represents goodwill associated with current year acquisitions. The Company does not expect any of the goodwill related to businesses acquired to be tax deductible.
- (c) Represents purchase price allocation adjustments for 2017 acquisitions deemed preliminary as of December 31, 2017.

Other Intangible Assets

The Nalco trade name is the Company’s principal indefinite life intangible asset, which is tested for impairment on an annual basis during the second quarter. Based on the ongoing performance of the Company’s reporting units associated with the trade name, updating the impairment testing during the first quarter of 2018 was not deemed necessary. There has been no impairment of the Nalco trade name intangible since it was acquired.

The Company’s intangible assets subject to amortization primarily include customer relationships, trademarks, patents and other technology. The fair value of identifiable intangible assets is estimated based upon discounted future cash flow projections and other acceptable valuation methods. Other intangible assets are amortized on a straight-line basis over their estimated economic lives. Total amortization expense related to other intangible assets during the first quarter of 2018 and 2017 was \$80.2 million and \$73.8 million, respectively. Estimated amortization for the remaining nine month period of 2018 related to other amortizable intangible assets is expected to be approximately \$242 million.

7. FAIR VALUE MEASUREMENTS

The Company's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, accounts payable, contingent consideration obligations, commercial paper, notes payable, foreign currency forward contracts, interest rate swap agreements and long-term debt.

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs be used when available. The hierarchy is broken down into three levels:

Level 1 - Inputs are quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Inputs include observable inputs other than quoted prices in active markets.

Level 3 - Inputs are unobservable inputs for which there is little or no market data available.

The carrying amount and the estimated fair value for assets and liabilities measured on a recurring basis were:

(millions)	March 31, 2018			
	Carrying Amount	Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets				
Foreign currency forward contracts	\$21.3	\$-	\$21.3	\$-

Liabilities				
Foreign currency forward contracts	199.7	-	199.7	-
Interest rate swap agreements	5.4	-	5.4	-

(millions)	December 31, 2017			
	Carrying Amount	Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets				
Foreign currency forward contracts	\$45.8	\$-	\$45.8	\$-
Liabilities				
Foreign currency forward contracts	153.1	-	153.1	-
Interest rate swap agreements	4.2	-	4.2	-

The carrying value of foreign currency forward contracts is at fair value, which is determined based on foreign currency exchange rates as of the balance sheet date, and is classified within Level 2. The carrying value of interest rate swap contracts is at fair value, which is determined based on current interest rates and forward interest rates as of the balance sheet date and is classified within Level 2. For purposes of fair value disclosure above, derivative values are presented gross. See further discussion of gross versus net presentation of the Company's derivatives within Note 8.

The carrying values of accounts receivable, accounts payable, cash and cash equivalents, restricted cash, commercial paper and notes payable approximate fair value because of their short maturities, and as such are classified within Level 1.

The fair value of long-term debt is based on quoted market prices for the same or similar debt instruments (classified as Level 2). The carrying amount and the estimated fair value of long-term debt, including current maturities, held by the Company were:

	March 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current maturities	\$7,043.4	\$7,282.2	\$7,308.0	\$7,716.0

8. DERIVATIVES AND HEDGING TRANSACTIONS

The Company uses foreign currency forward contracts, interest rate swap agreements and foreign currency debt to manage risks associated with foreign currency exchange rates, interest rates and net investments in foreign operations. The Company does not hold derivative financial instruments of a speculative nature or for trading purposes. The Company records derivatives as assets and liabilities on the balance sheet at fair value. Changes in fair value are recognized immediately in earnings unless the derivative qualifies and is designated as a hedge. Cash flows from derivatives are classified in the statement of cash flows in the same category as the cash flows from the items subject to designated hedge or undesignated (economic) hedge relationships. The Company evaluates hedge effectiveness at inception and on an ongoing basis. If a derivative is no longer expected to be effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is recorded in earnings.

The Company is exposed to credit risk in the event of nonperformance of counterparties for foreign currency forward exchange contracts and interest rate swap agreements. The Company monitors its exposure to credit risk by using credit approvals and credit limits and by selecting major global banks and financial institutions as counterparties. The Company does not anticipate nonperformance by any of these counterparties, and therefore, recording a valuation allowance against the Company's derivative balance is not considered necessary.

Derivative Positions Summary

Certain of the Company's derivative transactions are subject to master netting arrangements that allow the Company to net settle contracts with the same counterparties. These arrangements generally do not call for collateral and as of the applicable dates presented in the following table, no cash collateral had been received or pledged related to the underlying derivatives.

The respective net amounts are included in other current assets, other assets, other current liabilities and other liabilities on the Consolidated Balance Sheet.

The following table summarizes the gross fair value and the net value of the Company's outstanding derivatives.

(millions)	Asset Derivatives		Liability Derivatives	
	March 31 2018	December 31 2017	March 31 2018	December 31 2017
Derivatives designated as hedging instruments				
Foreign currency forward contracts	\$3.8	\$19.6	\$162.6	\$125.2
Interest rate swap agreements	-	-	5.4	4.2

Derivatives not designated as hedging instruments				
Foreign currency forward contracts	17.5	26.2	37.1	27.9
Gross value of derivatives	21.3	45.8	205.1	157.3
Gross amounts offset in the Consolidated Balance Sheet				
Sheet	(14.6)	(17.0)	(14.6)	(17.0)
Net value of derivatives	\$6.7	\$28.8	\$190.5	\$140.3

The following table summarizes the notional values of the Company's outstanding derivatives.

(millions)	Notional Values	
	2018	2017
Foreign currency forward contracts	\$ 4,762	\$ 5,593
Interest rate agreements	\$ 650	\$ 950

Cash Flow Hedges

The Company utilizes foreign currency forward contracts to hedge the effect of foreign currency exchange rate fluctuations on forecasted foreign currency transactions, including inventory purchases and intercompany royalty, management fee and other payments. These forward contracts are designated as cash flow hedges. The effective portions of the changes in fair value of these contracts are recorded in accumulated other comprehensive income (“AOCI”) until the hedged items affect earnings, at which time the gain or loss is reclassified into the same line item in the Consolidated Statement of Income as the underlying exposure being hedged. Cash flow hedged transactions impacting AOCI are forecasted to occur within the next five years.

The Company occasionally enters into treasury lock and forward starting interest rate swap agreements to manage interest rate exposure. During 2016 and 2015, the Company entered into and subsequently closed a series of treasury lock and forward starting interest rate swap agreements, in conjunction with its public debt issuances. The agreements were designated and effective as cash flow hedges of the expected interest payments related to the anticipated future debt issuances. Amounts recorded in AOCI are recognized as part of interest expense over the remaining life of the notes as the forecasted interest transactions occur.

The effective portion of gains and losses recognized into AOCI and earnings from derivative contracts that qualified as cash flow hedges was as follows:

(millions)		First Quarter Ended March 31	
		2018	2017
Unrealized gain (loss) recognized into AOCI			
Foreign currency forward contracts	AOCI (equity)	\$(44.9)	\$(4.3)
Interest rate swap agreements	AOCI (equity)	-	-
	Total	(44.9)	(4.3)
Gain (loss) recognized in income			
Foreign currency forward contracts	Cost of sales	(1.9)	(2.5)
	SG&A	(47.6)	10.2
	Interest expense, net	8.3	2.9
	Subtotal	(41.2)	10.6
Interest rate swap agreements	Interest expense, net	(1.8)	(1.8)
	Total	\$(43.0)	\$8.8

Gains and losses recognized in income related to the ineffective portion of the Company’s cash flow hedges were insignificant during the first three months of 2018 and 2017.

Fair Value Hedges

The Company manages interest expense using a mix of fixed and floating rate debt. To help manage exposure to interest rate movements and to reduce borrowing costs, the Company may enter into interest rate swaps under which the Company agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed upon notional principal amount. The mark-to-market of these fair value hedges is recorded as gains or losses in interest expense and is offset by the gain or loss of the underlying debt instrument, which also is recorded in interest expense. These fair value hedges are highly effective and thus, there is no impact on earnings due to hedge ineffectiveness.

In January 2016, the Company entered into an interest rate swap agreement that converted its \$400 million 2.00% debt from a fixed interest rate to a floating interest rate. In January 2015, the Company entered into interest rate swap agreements that converted its \$300 million 1.55% debt and its \$250 million 3.69% debt from fixed interest rates to floating interest rates. In May 2014, the Company entered into an interest rate swap agreement that converted its \$500 million 1.45% debt from a fixed rate to a floating interest rate. The interest rate swap agreements tied to the Company's \$500 million 1.45% and \$300 million 1.55% debt expired in December 2017 and January 2018, respectively, upon repayment of the underlying debt.

The interest rate swaps referenced above were designated as fair value hedges.

The impact on earnings from derivative contracts that qualified as fair value hedges was as follows:

(millions)		First Quarter Ended March 31	
		2018	2017
Gain (loss) on derivative recognized income			
Interest rate swap	Interest expense, net	\$(1.1)	\$(1.7)
Gain (loss) on hedged item recognized income			
Interest rate swap	Interest expense, net	\$1.1	\$1.7

Net Investment Hedges

The Company designates its outstanding €1,150 million (\$1,391 million at the end of the first quarter of 2018) senior notes (“euronotes”) and €100 million (\$122 million at the end of the first quarter of 2018) Euro commercial paper and related accrued interest as hedges of existing foreign currency exposures related to investments the Company has in certain euro denominated functional currency subsidiaries.

The revaluation gains and losses on the euronotes and Euro commercial paper, which are designated and effective as hedges of the Company’s net investments, have been included as a component of the cumulative translation adjustment account, and were as follows:

(millions)	First Quarter Ended March 31	
	2018	2017
Revaluation gains (losses), net of tax	\$(26.2)	\$2.8

Derivatives Not Designated as Hedging Instruments

The Company also uses foreign currency forward contracts to offset its exposure to the change in value of certain foreign currency denominated assets and liabilities held at foreign subsidiaries, primarily receivables and payables, which are remeasured at the end of each period. Although the contracts are effective economic hedges, they are not designated as accounting hedges. Therefore, changes in the value of these derivatives are recognized immediately in earnings, thereby offsetting the current earnings effect of the related foreign currency denominated assets and liabilities.

The impact on earnings from derivative contracts that are not designated as hedging instruments was as follows:

(millions)		First Quarter Ended March 31	
		2018	2017
Gain (loss) recognized in income			
Foreign currency forward contracts	SG&A	\$(18.4)	\$(2.6)
	Interest expense, net	1.6	(1.4)
	Total	\$(16.8)	\$(4.0)

The amounts recognized in SG&A above offset the earnings impact of the related foreign currency denominated assets and liabilities. The amounts recognized in interest expense above represent the difference between the spot and forward rates of the hedges as a result of interest rate differentials.

9. OTHER COMPREHENSIVE INCOME (LOSS) INFORMATION

Other comprehensive income (loss) includes net income, foreign currency translation adjustments, unrecognized gains and losses on securities, defined benefit pension and postretirement plan adjustments, gains and losses on derivative instruments designated and effective as cash flow hedges and non-derivative instruments designated and effective as foreign currency net investment hedges that are charged or credited to the accumulated other comprehensive loss account in shareholders' equity.

The following tables provide other comprehensive income information related to the Company's derivatives and hedging instruments and pension and postretirement benefits. See Note 8 for additional information related to the Company's derivatives and hedging transactions. See Note 13 for additional information related to the Company's pension and postretirement benefits activity.

(millions)	First Quarter Ended March 31	
	2018	2017
Derivative and Hedging Instruments		
Unrealized gains (losses) on derivative & hedging instruments		
Amount recognized in AOCI	\$(44.9)	\$(4.3)
(Gains) losses reclassified from AOCI into income		
Cost of sales	1.9	2.5
SG&A	47.6	(10.2)
Interest (income) expense, net	(6.5)	(1.1)
	43.0	(8.8)
Other activity	(0.3)	0.1
Tax impact	0.1	3.8
Net of tax	\$(2.1)	\$(9.2)
Pension and Postretirement Benefits		
Amount reclassified from AOCI into income		
Amortization of net actuarial loss and prior service costs	7.7	4.9
	7.7	4.9
Other activity	(5.5)	-
Tax impact	(1.9)	(1.6)
Net of tax	\$0.3	\$3.3

The following table summarizes the derivative and pension and postretirement benefit amounts reclassified from AOCI into income.

	First Quarter Ended March 31	
(millions)	2018	2017
Derivative losses (gains) reclassified from AOCI into income, net of tax	\$33.5	\$(6.7)
Pension and postretirement benefits net actuarial losses and prior services costs reclassified from AOCI into income, net of tax	\$0.3	\$3.3

10. SHAREHOLDERS' EQUITY

Share Repurchase Authorization

In February 2015, the Company's Board of Directors authorized the repurchase of up to 20 million shares of its common stock, including shares to be repurchased under Rule 10b5-1. As of March 31, 2018, 10,875,427 shares remained to be repurchased under the Company's repurchase authorization. The Company intends to repurchase all shares under its authorization, for which no expiration date has been established, in open market or privately negotiated transactions, subject to market conditions.

Accelerated Stock Repurchase ("ASR") Agreements

In February 2017, the Company entered into an ASR agreement to repurchase \$300 million of its common stock and received 2,077,224 shares of its common stock, which was approximately 85% of the total number of shares the Company expected to be repurchased under the ASR, based on the price of the Company's common stock at that time. In connection with the final settlement of the ASR agreement in June 2017, the Company received an additional 286,620 shares of common stock. The final per share purchase price and the total number of shares to be repurchased was based on the volume-weighted average price of the Company's common stock during the term of the agreements and all shares acquired were recorded as treasury stock.

During the open periods in 2017, the ASR was not dilutive to the Company's earnings per share calculations, nor did it trigger the two-class earnings per share methodology. Additionally, the unsettled portion of ASR during the open periods met the criteria to be accounted for as a forward contract indexed to the Company's stock and qualified as equity transactions.

The initial delivery of shares, as well as the additional receipt of shares at settlement resulted in a reduction to the Company's common stock outstanding used to calculate earnings per share.

Share Repurchases

During the first three months of 2018, the Company reacquired 1,604,896 shares of its common stock, of which 1,482,683 related to share repurchases through open market or private purchases, and 122,213 related to shares withheld for taxes on the exercise of stock options and the vesting of stock awards and units.

During all of 2017, the Company reacquired 4,707,629 shares of its common stock, of which 4,414,416 related to share repurchases through open market or private purchases, including the February 2017 ASR discussed above, and 293,213 related to shares withheld for taxes on the exercise of stock options and the vesting of stock awards and units.

11. EARNINGS ATTRIBUTABLE TO ECOLAB PER COMMON SHARE ("EPS")

The difference in the weighted average common shares outstanding for calculating basic and diluted EPS is a result of the dilution associated with the Company's equity compensation plans. As noted in the table below, certain stock options and units outstanding under these equity compensation plans were not included in the computation of diluted EPS because they would not have had a dilutive effect.

The computations of the basic and diluted EPS amounts were as follows:

(millions, except per share)	First Quarter Ended March 31	
	2018	2017
Net income attributable to Ecolab	\$247.3	\$254.0
Weighted-average common shares outstanding		
Basic	288.6	290.6
Effect of dilutive stock options and units	4.1	4.4
Diluted	292.7	295.0
Basic EPS	\$ 0.86	\$ 0.87
Diluted EPS	\$ 0.84	\$ 0.86
Anti-dilutive securities excluded from the computation of diluted EPS	1.8	3.6

12. INCOME TAXES

The Company's tax rate was 21.8% and 17.4% for the first quarter of 2018 and 2017, respectively. The change in the Company's tax rate for the first quarter of 2018 compared to the first quarter of 2017 was driven primarily by discrete tax items and a lower U.S. corporate tax rate.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Act"), which reduced the U.S. federal corporate tax rate from 35% to 21%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and created new taxes on certain foreign sourced earnings. The Tax Act added many new provisions including changes to bonus depreciation, the deduction for executive compensation and interest expense, a tax on global intangible low taxed income ("GILTI"), the base erosion anti abuse tax ("BEAT") and a deduction for foreign derived intangible income ("FDII"). The SEC staff issued Staff Accounting Bulletin ("SAB 118"), which provides a measurement period of up to one year from the Tax Act's enactment date to complete the accounting for the effects of the Tax Act. The Company is assessing the impact of the provisions of the Act, and has not yet elected an accounting policy related to GILTI.

The Company recorded an estimate of the one-time transition tax in the fourth quarter of 2017, and in the first quarter of 2018 recorded additional expense of \$11.3 million, primarily due to the issuance of technical guidance during the quarter. The one-time transition tax is subject to finalization of estimates of assets and liabilities at future dates, the calculation of deemed repatriation of foreign income and the state tax effect of adjustments made to federal temporary differences. The Company's estimates are subject to continued technical guidance which may change the provisional amounts recorded in the financial statements, and will be evaluated throughout the measurement period, as permitted by SAB 118.

Excess tax benefits related to employee share-based compensation were \$6.8 million and \$16.0 million in the first quarter of 2018 and 2017, respectively.

Net discrete tax benefits of \$4.6 million in 2018 related to changes in the Company's state tax profile and changes in reserves in non-U.S. jurisdictions. 2017 discrete tax benefits of \$6.8 million related to the release of reserves for uncertain tax positions due to the expiration of statute of limitation in non-U.S. jurisdictions.

13. PENSION AND POSTRETIREMENT PLANS

The Company has a non-contributory qualified defined benefit pension plan covering the majority of its U.S. employees. The Company also has U.S. non-contributory non-qualified defined benefit plans, which provide for

benefits to employees in excess of limits permitted under its U.S. pension plans. Various international subsidiaries also have defined benefit pension plans. The Company provides postretirement health care benefits to certain U.S. employees and retirees.

The components of net periodic pension and postretirement health care benefit costs for the first quarter ended March 31 are as follows:

	U.S. Pension		International Pension		U.S. Postretirement Health Care	
(millions)	2018	2017	2018	2017	2018	2017
Service cost	\$18.6	\$17.5	\$8.5	\$7.4	\$0.9	\$0.7
Interest cost on benefit obligation	20.8	20.9	7.5	6.9	1.5	1.5
Expected return on plan assets	(40.5)	(37.4)	(16.3)	(13.5)	(0.1)	(0.1)
Recognition of net actuarial (gain) loss	9.8	7.2	4.4	4.4	(0.5)	(0.6)
Amortization of prior service cost (benefit)	(1.7)	(1.7)	(0.2)	(0.2)	(4.1)	(4.2)
Total expense (benefit)	\$7.0	\$6.5	\$3.9	\$5.0	\$(2.3)	\$(2.7)

Service cost is included with employee compensation cost in cost of sales and selling, general and administrative expenses in the Consolidated Statement of Income while all other components are included in other (income) expense in the Consolidated Statement of Income. For more information about the adoption of the pension standard relating to the classification of components of pension expense, refer to Note 17.

As of March 31, 2018, the Company is in compliance with all funding requirements of its U.S. pension and postretirement health care plans. During the first quarter of 2018, the Company made payments of \$1 million to its U.S. non-contributory non-qualified defined benefit plans and estimates it will make additional payments of approximately \$5 million to such plans during the remainder of 2018.

The Company contributed \$19 million to its international pension benefit plans during the first quarter of 2018. The Company estimates it will contribute approximately an additional \$30 million to such plans during the remainder of 2018.

During the first three months of 2018, the Company made payments of \$3 million to its U.S. postretirement health care benefit plans and estimates it will make additional payments of approximately \$8 million to such plans during the remainder of 2018.

14. REVENUES

Revenue from product and sold equipment is recognized when obligations under the terms of a contract with the customer are satisfied, which generally occurs when the transfer of the product or equipment occurs, which is upon delivery. Revenue from service and leased equipment is recognized when the services are provided, or the customer receives the benefit from the leased equipment, which is over time. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing service. Concurrent with the adoption of the new revenue standard, the Company reclassified certain costs from selling, general and administrative expenses to cost of sales, to align the costs of providing the service with the recognition of service revenue.

Contracts with customers may include multiple performance obligations. For contracts with multiple performance obligations, the consideration is allocated between products and services based on their stand-alone selling prices. Stand-alone selling prices are generally based on the prices charged to customers or using an expected cost plus margin. Judgment was used in determining the amount of service that is embedded within the contracts, which is based on the amount of time spent on the performance obligation activities. The level of effort, including the estimated margin that would be charged, is used to determine the amount of service revenue. Depending on the terms of the contract, the Company may defer the recognition of revenue when a future performance obligation has not yet occurred.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue. Shipping and handling costs associated with outbound freight are recognized in cost of sales when control over the product has transferred to the customer.

Other estimates used in recognizing revenue include allocating variable consideration to customer programs and incentive offerings, including pricing arrangements, promotions and other volume-based incentives at the time the sale is recorded. These estimates are based primarily on historical experience and anticipated performance over the contract period. Based on the certainty in estimating these amounts, they are included in the transaction price of the contracts and the associated remaining performance obligations. The Company also records estimated reserves for anticipated uncollectible accounts and for product returns and credits at the time of sale.

Practical Expedients and Exemptions

The Company elected to apply the portfolio approach primarily within each operating segment by geographical region. The new revenue standard can be applied to a portfolio of contracts with similar characteristics if it is reasonable that the effects of applying the standard at the portfolio would not be significantly different than applying the standard at the individual contract level. Application of the portfolio approach was focused on those characteristics that have the most significant accounting consequences in terms of their effect on the timing of revenue recognition or the amount of revenue recognized. The Company determined the key criteria to assess with respect to the portfolio

approach, included related deliverables, the characteristics of the customers and the timing and transfer of goods and services, which most closely aligned within the operating segments. In addition, the accountability for the business operations, as well as the operational decisions on how to go to market and the product offerings are performed at the operating segment level.

Revenue Recognition

Product and Sold Equipment

Product revenue is generated from cleaning, sanitizing, water and energy products provided to customers in the Global Industrial, Global Institutional and Global Energy segments. In addition, the Company sells equipment which may be used in combination with its specialized products. Revenue recognized from product and sold equipment is recognized at the point in time when the obligations in the contract with the customer are satisfied, which generally occurs with the transfer of the product or delivery of the equipment occurs.

Service and Lease Equipment

Service and lease equipment revenue is generated from providing services or leasing equipment to customers. Service offerings include installing or repairing certain types of equipment, activities that supplement or replace headcount at the customer location, or fulfilling deliverables included in the contract. Services provided in the Other segment include Pest Elimination and, prior to the Equipment Care sale in 2017, kitchen equipment repair and maintenance. Global Energy services include process and water treatment offerings to the global petroleum and petrochemical industries, while services in the Global Industrial segment are associated with water treatment and paper process applications. Global Institutional services include water treatment programs and process applications, and wash process solutions. Revenue recognized from lease equipment primarily relates to warewashing equipment.

Service and leased equipment revenue is recognized over time and aligns with when the services are provided or when the customer receives the benefit of the leased equipment. Service revenue is recognized over time utilizing an input method and aligns with when the services are provided. Typically, revenue is recognized over time using costs incurred to date because the effort provided by the field selling and service organization represents services provided, which corresponds with the transfer of control.

Revenue for leased equipment is recognized over time utilizing an input method as this method aligns most appropriately with when the costs are incurred to provide access to the leased equipment to the customer.

The following table shows principal activities, separated by reportable segments, from which the Company generates its revenue. For more information about the Company's reportable segments, refer to Note 15.

Net sales at public exchange rates by reportable segment for the first quarter ended March 31 are as follows:

(millions)	First Quarter Ended March 31	
	2018	2017
Global Industrial		
Product and sold equipment	\$1,055.6	\$963.7
Service and lease equipment	170.4	150.5
Global Institutional		
Product and sold equipment	1,038.6	927.6
Service and lease equipment	167.6	146.9
Global Energy		
Product and sold equipment	734.4	671.0
Service and lease equipment	108.5	86.9
Other		
Product and sold equipment	18.6	42.1
Service and lease equipment	177.2	173.7
Total		
Total product and sold equipment	\$2,847.2	\$2,604.4
Total service and lease equipment	623.7	558.0

Net sales at public exchange rates by geographic region for the first quarter ended March 31 are as follows:

(millions)	Global Industrial		Global Institutional		Global Energy		Other	
	2018	2017	2018	2017	2018	2017	2018	2017
North America	\$556.8	\$521.2	\$816.9	\$768.4	\$485.0	\$430.1	\$130.0	\$160.3
Europe	297.2	249.9	244.6	176.1	101.8	86.2	30.3	24.0
Asia Pacific	160.9	149.5	60.3	55.0	67.4	57.9	8.9	8.0
Latin America	109.3	101.7	41.2	38.5	54.6	58.5	11.7	10.7
	30.7	28.5	13.9	11.5	115.8	109.3	2.9	2.7

Middle
East and
Africa
Greater

China	71.1	63.4	29.3	25.0	18.3	15.9	12.0	10.1
Total	\$1,226.0	\$1,114.2	\$1,206.2	\$1,074.5	\$842.9	\$757.9	\$195.8	\$215.8

Net sales by geographic region were determined based on origin of sale.

Contract Liability

Payments received from customers are based on invoices or billing schedules as established in contracts with customers. Accounts receivable are recorded when the right to consideration becomes unconditional. The contract liability relates to billings in advance of performance (primarily service obligations) under the contract. Contract liabilities are recognized as revenue when the performance obligation has been performed, which primarily occurs during the subsequent quarter.

(millions)	March 31 2018	March 31 2017
Contract liability as of beginning of period	\$79.0	\$68.6
Revenue recognized in the period from:		
Amounts included in the contract liability at the beginning of the period	(79.0)	(68.6)
Increases due to billings excluding amounts recognized as revenue during the period	88.0	71.6
Business combination	0.2	2.2
Contract liability as of end of period	\$88.2	\$73.8

15. OPERATING SEGMENTS

The Company's organizational structure consists of global business unit and global regional leadership teams. The Company's operating segments follow its commercial and product-based activities and are based on engagement in business activities, availability of discrete financial information and review of operating results by the Chief Operating Decision Maker at the identified operating segment level.

The Company's operating segments that share similar economic characteristics and future prospects, nature of the products and production processes, end-use markets, channels of distribution and regulatory environment have been aggregated into three reportable segments: Global Industrial, Global Institutional and Global Energy. The Company's operating segments that do not meet the quantitative criteria to be separately reported have been combined into the Other segment. The Company provides similar information for the Other segment as the Company considers the information regarding its underlying operating segments as useful in understanding its consolidated results.

Comparability of Reportable Segments

Refer to Note 17 for additional information regarding adoption of new accounting standards for the changes presented in the "Revenue Standard Adoption" and "Pension Standard Adoption" columns in the table below.

Effective in the first quarter of 2018, the Company established the Colloidal Technologies Group ("CTG") operating segment. The CTG operating segment has not been aggregated, based on qualitative criteria, and is included in the Other segment. CTG produces and sells colloidal silica, which is comprised of nano-sized particles of silica in water; these products and associated programs are used primarily for binding and polishing applications. CTG was previously recorded in the Water operating segment which is aggregated into the Global Industrial reportable segment. The Company also made insignificant changes to its reportable segments, including the movement of certain customers and cost allocations between reportable segments. These changes are presented in "Segment Change" column of the table below.

The Company evaluates the performance of its non-U.S. dollar functional currency international operations based on fixed currency exchange rates, which eliminate the impact of exchange rate fluctuations on its international operations. Fixed currency amounts are updated annually at the beginning of each year based on translation into U.S. dollars at foreign currency exchange rates established by management, with all periods presented using such rates. Fixed currency rates are generally based on existing market rates at the time they are established. The "Fixed Currency Rate Change" column shown in the following table reflects the impact on previously reported values related to fixed currency exchange rates established by management at the beginning of 2018.

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The impact of the preceding changes on previously reported full year 2017 reportable segment net sales and operating income is summarized as follows:

	December 31, 2017					2017
	Reported	Revenue	Pension		Fixed	Revised
	Valued at	Standard	Standard	Segment	Currency	Valued at
(millions)	2017	Adoption	Adoption	Change	Rate	2018
	Management				Change	Management
	Rates					Rates
Net Sales						
Global Industrial	\$4,878.5	\$(0.8)	\$-	\$(56.9)	\$286.0	\$5,106.8
Global Institutional	4,744.9	(1.4)	-	(23.7)	190.2	4,910.0
Global Energy	3,199.3	-	-	0.7	81.7	3,281.7
Other	823.5	-	-	79.9	28.1	931.5
Subtotal at fixed currency rates	13,646.2	(2.2)	-	-	586.0	14,230.0
Effect of foreign currency translation	192.1	(0.2)	-	-	(586.0)	(394.1)
Consolidated reported GAAP net sales	\$13,838.3	\$(2.4)	\$-	\$-	\$-	\$13,835.9
Operating Income						
Global Industrial	\$722.0	\$(0.8)	\$(12.8)	\$2.6	\$47.5	\$758.5
Global Institutional	985.7	(1.4)	(13.1)	(14.9)	23.5	979.8
Global Energy	338.5	-	(16.7)	(0.7)	15.0	336.1
Other	149.3	-	(24.5)	13.0	4.7	142.5
Corporate	(208.6)	-	-	-	(5.3)	(213.9)
Subtotal at fixed currency rates	1,986.9	(2.2)	(67.1)	-	85.4	2,003.0
Effect of foreign currency translation	32.9	(0.2)	(0.2)	-	(85.4)	(52.9)
Consolidated reported GAAP operating income	\$2,019.8	\$(2.4)	\$(67.3)	\$-	\$-	\$1,950.1

Reportable Segment Information

Financial information for each of the Company's reportable segments, including the impact of all preceding segment structure changes, is as follows:

(millions)	First Quarter Ended March 31	
	2018	2017
Net Sales		
Global Industrial	\$1,241.4	\$1,178.3
Global Institutional	1,218.0	1,114.6
Global Energy	847.1	775.7
Other	197.4	221.8
Subtotal at fixed currency rates	3,503.9	3,290.4
Effect of foreign currency translation	(33.0)	(128.0)
Consolidated reported GAAP net sales	\$3,470.9	\$3,162.4
Operating Income		
Global Industrial	\$129.9	\$135.6
Global Institutional	198.7	186.8
Global Energy	70.9	70.9
Other	27.1	27.1
Corporate	(69.1)	(50.7)
Subtotal at fixed currency rates	357.5	369.7
Effect of foreign currency translation	(3.2)	(12.5)
Consolidated reported GAAP operating income	\$354.3	\$357.2

The profitability of the Company's operating segments is evaluated by management based on operating income. The Company has no intersegment revenues.

Consistent with the Company's internal management reporting, Corporate amounts in the table above include amortization specifically from the Nalco merger and special (gains) and charges, as discussed in Note 2, that are not allocated to the Company's reportable segments.

16. COMMITMENTS AND CONTINGENCIES

The Company is subject to various claims and contingencies related to, among other things, workers' compensation, general liability (including product liability), automobile claims, health care claims, income taxes, environmental

matters and lawsuits. The Company also has contractual obligations related to lease commitments.

Insurance

Globally, the Company has insurance policies with varying deductible levels for property and casualty losses. The Company is insured for losses in excess of these deductibles, subject to policy terms and conditions and has recorded both a liability and an offsetting receivable for amounts in excess of these deductibles. The Company is self-insured for health care claims for eligible participating employees, subject to certain deductibles and limitations. The Company determines its liabilities for claims on an actuarial basis.

Litigation and Environmental Matters

The Company and certain subsidiaries are party to various lawsuits, claims and environmental actions that have arisen in the ordinary course of business. These include from time to time antitrust, commercial, patent infringement, product liability and wage hour lawsuits, as well as possible obligations to investigate and mitigate the effects on the environment of the disposal or release of certain chemical substances at various sites, such as Superfund sites and other operating or closed facilities. The Company has established accruals for certain lawsuits, claims and environmental matters. The Company currently believes that there is not a reasonably possible risk of material loss in excess of the amounts accrued related to these legal matters. Because litigation is inherently uncertain, and unfavorable rulings or developments could occur, there can be no certainty that the Company may not ultimately incur charges in excess of recorded liabilities. A future adverse ruling, settlement or unfavorable development could result in future charges that could have a material adverse effect on the Company's results of operations or cash flows in the period in which they are recorded. The Company currently believes that such future charges related to suits and legal claims, if any, would not have a material adverse effect on the Company's consolidated financial position.

Environmental Matters

The Company is currently participating in environmental assessments and remediation at approximately 45 locations, the majority of which are in the U.S., and environmental liabilities have been accrued reflecting management's best estimate of future costs. Potential insurance reimbursements are not anticipated in the Company's accruals for environmental liabilities.

Matters Related to Deepwater Horizon Incident Response

On April 22, 2010, the deepwater drilling platform, the Deepwater Horizon, operated by a subsidiary of BP plc, sank in the Gulf of Mexico after a catastrophic explosion and fire that began on April 20, 2010. A massive oil spill resulted. Approximately one week following the incident, subsidiaries of BP plc, under the authorization of the responding federal agencies, formally requested Nalco Company, now an indirect subsidiary of Ecolab, to supply large quantities of COREXIT® 9500, a Nalco oil dispersant product listed on the U.S. EPA National Contingency Plan Product Schedule. Nalco Company responded immediately by providing available COREXIT and increasing production to supply the product to BP's subsidiaries for use, as authorized and directed by agencies of the federal government throughout the incident. Prior to the incident, Nalco and its subsidiaries had not provided products or services or otherwise had any involvement with the Deepwater Horizon platform. On July 15, 2010, BP announced that it had capped the leaking well, and the application of dispersants by the responding parties ceased shortly thereafter.

On May 1, 2010, the President appointed retired U.S. Coast Guard Commandant Admiral Thad Allen to serve as the National Incident Commander in charge of the coordination of the response to the incident at the national level. The EPA directed numerous tests of all the dispersants on the National Contingency Plan Product Schedule, including those provided by Nalco Company, "to ensure decisions about ongoing dispersant use in the Gulf of Mexico are grounded in the best available science." Nalco Company cooperated with this testing process and continued to supply COREXIT, as requested by BP and government authorities. The use of dispersants by the responding parties was one tool used by the government and BP to avoid and reduce damage to the Gulf area from the spill.

In connection with its provision of COREXIT, Nalco Company has been named in several lawsuits as described below.

Cases arising out of the Deepwater Horizon accident were administratively transferred for pre-trial purposes to a judge in the United States District Court for the Eastern District of Louisiana with other related cases under In Re: Oil Spill by the Oil Rig "Deepwater Horizon" in the Gulf of Mexico, on April 20, 2010, Case No. 10-md-02179 (E.D. La.) ("MDL 2179"). Nalco Company was named, along with other unaffiliated defendants, in six putative class action complaints related to the Deepwater Horizon oil spill and 21 complaints filed by individuals. Those complaints were consolidated in MDL 2179. The complaints generally allege, among other things, strict liability and negligence relating to the use of our Corexit dispersant in connection with the Deepwater Horizon oil spill.

Pursuant to orders issued by the Court in MDL 2179, the claims were consolidated in several master complaints, including one naming Nalco Company and others who responded to the Gulf Oil Spill (known as the “B3 Master Complaint”). On May 18, 2012, Nalco filed a motion for summary judgment against the claims in the “B3” Master Complaint, on the grounds that: (i) Plaintiffs’ claims are preempted by the comprehensive oil spill response scheme set forth in the Clean Water Act and National Contingency Plan; and (ii) Nalco is entitled to derivative immunity from suit. On November 28, 2012, the Court granted Nalco’s motion and dismissed with prejudice the claims in the “B3” Master Complaint asserted against Nalco. The Court held that such claims were preempted by the Clean Water Act and National Contingency Plan. Because claims in the “B3” Master Complaint remained pending against other defendants, the Court’s decision was not a “final judgment” for purposes of appeal. Under Federal Rule of Appellate Procedure 4(a), plaintiffs will have 30 days after entry of final judgment to appeal the Court’s decision.

In December 2012 and January 2013, the MDL 2179 court issued final orders approving two settlements between BP and Plaintiffs’ Class Counsel: (1) a proposed Medical Benefits Class Action Settlement; and (2) a proposed Economic and Property Damages Class Action Settlement. Pursuant to the proposed settlements, class members agree to release claims against BP and other released parties, including Nalco Company and its related entities.

Nalco Company, the incident defendants and the other responder defendants have been named as first party defendants by Transocean Deepwater Drilling, Inc. and its affiliates (the “Transocean Entities”) (In re the Complaint and Petition of Triton Asset Leasing GmbH, et al, MDL No. 2179, Civil Action 10-2771). In April and May 2011, the Transocean Entities, Cameron International Corporation, Halliburton Energy Services, Inc., M-I L.L.C., Weatherford U.S., L.P. and Weatherford International, Inc. (collectively, the “Cross Claimants”) filed cross claims in MDL 2179 against Nalco Company and other unaffiliated cross defendants. The Cross Claimants generally allege, among other things, that if they are found liable for damages resulting from the Deepwater Horizon explosion, oil spill and/or spill response, they are entitled to indemnity or contribution from the cross defendants.

In April and June 2011, in support of its defense of the claims against it, Nalco Company filed counterclaims against the Cross Claimants. In its counterclaims, Nalco Company generally alleges that if it is found liable for damages resulting from the Deepwater Horizon explosion, oil spill and/or spill response, it is entitled to contribution or indemnity from the Cross Claimants.

In May 2016, Nalco was named in nine additional complaints filed by individuals alleging, among other things, business and economic loss resulting from the Deepwater Horizon oil spill (“B1” claims). In April 2017, Nalco was named in two additional complaints filed by individuals seeking, among other things, business and economic loss resulting from the Deepwater Horizon oil spill. The plaintiffs in these lawsuits are generally seeking awards of unspecified compensatory and punitive damages, and attorneys’ fees and costs. These actions have been consolidated in the MDL and the Company expects they will be dismissed pursuant to the Court’s November 28, 2012 order granting Nalco’s motion for summary judgment.

On February 22, 2017, the Court dismissed the “B3” Master Complaint and ordered that Plaintiffs who had previously filed a claim that fell within the scope of the “B3” Master Complaint and who had “opted out” of and not released their claims under the Medical Benefits Class Action Settlement either: (1) complete a sworn statement indicating, among other things, that they opted out of the Medical Benefits Class Action Settlement (to be completed by Plaintiffs who previously filed an individual complaint); or (2) file an individual lawsuit attaching the sworn statement as an exhibit, by a deadline date set by the Court.

On July 18, 2017, the Court dismissed with prejudice certain “B3” claims not complying with the February 22, 2017 order. On July 19, 2017, the Court dismissed with prejudice certain “B1” claims not complying with three prior orders pertaining to “B1” claims and requiring, among other things, “B1” Plaintiffs to file sworn statements detailing their claim. On January 11, 2018, the Court entered an order requiring the remaining “B1” Plaintiffs to file sworn statements of causation and damages by no later than April 11, 2018, pursuant to which the Court will determine which “B1” Plaintiffs are entitled to pursue their claims. On April 9, 2018, the Court entered an order requiring the remaining “B3” Plaintiffs to file sworn, particularized statements of their claims no later than July 9, 2018, pursuant to which the Court will then determine which “B3” Plaintiffs are entitled to further pursue their claims. There currently remain nine cases pending against Nalco, all of which are expected to ultimately be dismissed pursuant to the Court’s November 28, 2012 order granting Nalco’s motion for summary judgment.

The Company believes the claims asserted against Nalco Company are without merit and intends to defend these lawsuits vigorously. The Company also believes that it has rights to contribution and/or indemnification (including legal expenses) from third parties. However, the Company cannot predict the outcome of these lawsuits, the involvement it might have in these matters in the future, or the potential for future litigation.

17. NEW ACCOUNTING PRONOUNCEMENTS

Standard	Date of Issuance	Description	Required Date of Adoption	Effect on the Financial Statements
Standards that are not yet adopted:				
ASU 2018-02 - Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	February 2018	Amends ASC 220 to allow entities to reclassify stranded tax effects resulting from the Tax Cut and Jobs Act (“the Act”) from accumulated OCI to retained earnings. Tax effects stranded in OCI for reasons other than the impact of the Act cannot be reclassified.	January 1, 2019	The Company is currently evaluating the impact of adoption.
ASU 2017-12 - Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities	August 2017	Amends the hedge accounting recognition and presentation requirements in ASC 815. Simplifies the guidance on the application of hedge accounting and the requirements for hedge documentation and effectiveness testing. Requires presentation of all items that affect earnings in the same income statement line as the hedged item.	January 1, 2019	The Company is currently evaluating the impact of adoption, and certain transition elections provided for by the ASU.
ASU 2017-04 - Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment	January 2017	Simplifies subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill.	January 1, 2020	The ASU must be applied on a prospective basis upon adoption. Adoption of the ASU is not expected to have a material impact on the Company's financial statements.
ASU 2016-13 - Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial	June 2016	Addresses the recognition, measurement, presentation and disclosure of credit losses on trade and reinsurance receivables, loans, debt securities, net investments in	January 1, 2020	Adoption of the standard will change how the allowance for trade and other

Instruments		leases, off-balance-sheet credit exposures and certain other instruments. Amends guidance on reporting credit losses from an incurred model to an expected model for assets held at amortized cost, such as accounts receivable, loans and held-to-maturity debt securities. Additional disclosures will also be required.		receivables is calculated. The Company is currently evaluating the impact of adoption.
Lease ASUs: ASU 2016-02 - Leases (Topic 842) ASU 2018-01 - Leases (Topic 842): Land Easement Practical Expedient	Various	Introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance.	January 1, 2019	See additional information regarding the impact of this guidance on the Company's financial statements at the bottom of this table in note (a).

- (a) As part of implementing the new standard, the Company has reviewed current accounting policies, and is in the process of developing future policies and electing practical expedients allowed under the new accounting guidance and proposed under the FASB's tentative decision on November 29, 2017. The tentative decision relieves the requirements to restate comparative periods in the period of adoption and to separately disclose lease and nonlease components for lessor accounting when certain conditions are met. The Company is implementing a global lease accounting software, which will be designed to facilitate adoption and reporting in accordance with the standard. The Company is accumulating leases for inclusion into the software, and the project team is designing future processes to identify, accumulate, and report on the Company's leases. The Company expects most of its operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon adoption and is evaluating other impacts on the consolidated financial statements. The standard currently requires a modified retrospective transition to be applied at the beginning of the earliest comparative period presented in the year of adoption; however, this requirement may be relieved based upon the tentative decision.

Standard	Date of Issuance	Description	Date of Adoption	Effect on the Financial Statements
Standards that were adopted:				
ASU 2017-09 - Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting	May 2017	Clarifies the definition of what's considered a substantive modification related to a change in terms or conditions of a share-based payment award and when it's appropriate to apply modification accounting. The current definition of "modification" is too broad, resulting in diverse interpretations of what's considered a substantive modification.	January 1, 2018	The adoption of the guidance did not have a material impact on the Company's financial statements.
ASU 2017-05 - Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Topic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets	February 2017	Clarifies the scope of guidance on nonfinancial asset derecognition (ASC 610-20) including the accounting for partial sales of nonfinancial assets. The ASU defines "in-substance nonfinancial asset". Also clarifies the derecognition of all businesses should be accounted for in accordance with derecognition and deconsolidation guidance in 810-10.	January 1, 2018	The adoption of the guidance did not have a material impact on the Company's financial statements.
ASU 2017-01 - Business Combinations (Topic 805): Clarifying	January 2017	Clarifies the definition of a business and provides	January 1, 2018	The adoption of the guidance did not have a material impact on the Company's financial statements.

the Definition of a Business		guidance on whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses.		
ASU 2016-16 - Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory	October 2016	Simplifies the guidance on the accounting for the income tax consequences of intra-entity transfers of assets other than inventory (e.g. intellectual property).	January 1, 2018	During the first quarter of 2018, the Company adopted the accounting guidance issued in October 2016 that requires recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. Under previous guidance the income tax effects of intercompany transfers of assets were deferred until the asset had been sold to an outside party or otherwise recognized (e.g., depreciated, amortized, impaired). Upon adoption of the standard, only the income tax effects of intercompany transfers of inventory are deferred. The standard was adopted using the modified retrospective approach with a cumulative-effective adjustment of \$43.6 million to opening retained earnings on the date of adoption. Income tax effects of intra-entity inventory transfers will continue to be deferred until the inventory is sold.
ASU 2016-15 - Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments	August 2016	The guidance's objective is to reduce diversity in practice of how certain cash receipts and cash payments are presented and classified in the statement of cash flow.	January 1, 2018	The adoption of the guidance did not have a material impact on the Company's financial statements and elected to account for distributions received from equity method investees as cash flows from operating activities using the nature of distribution approach accounting policy election.

ASU 2014-09 – Revenue from Contracts with Customers

On January 1, 2018, the Company retrospectively adopted Accounting Standards Codification Topic 606 Revenue from Contracts with Customers and the related amendments (“the new revenue standard”). The new revenue standard was applied to all periods presented and the cumulative effect of applying the standard is recognized at the beginning of the earliest year presented. The Company identified additional performance obligations primarily related to performing service activities, which were explicitly or implicitly included in contracts with customers. These performance obligations, when aggregated with service revenue currently reported, represent more than 10% of sales. Upon adoption of the new standard, service and lease revenue are reported separately from product and sold equipment revenue. Concurrent with the adoption of the new revenue standard, the Company reclassified certain costs to cost of sales from selling, general and administrative expenses, to align providing the service with the recognition of service revenue. The Company recorded a reduction to opening retained earnings of \$29.3 million, net of tax, as of January 1, 2016 due to the impact of adopting the new revenue standard, with the impact primarily related to deferring service revenue. Further information related to the Company’s adoption of the new revenue standard is included in Note 14.

ASU 2017-07 – Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and the Net Periodic Postretirement Benefit Cost

On January 1, 2018, the Company retrospectively adopted guidance relating to the presentation of the components of net periodic benefit costs for pension and other post-retirement benefits within the Consolidated Statement of Income. Under the new guidance, the non-service cost components of net periodic benefit cost are presented in other (income) expense, while the service cost component will continue to be recorded with compensation cost in cost of sales and selling, general and administrative expenses. The Company elected to use the practical expedient that allows entities to estimate the amount for comparative periods using the information previously disclosed in the pension and postretirement health care benefits footnote. As a result, the Company has changed its accounting principle, and revised prior period presentation related to the presentation of the non-service cost components.

The following table presents the effect of the adoptions of the revenue recognition and pension standards on the Company’s Consolidated Statement of Income:

(millions, except per share amounts)	First Quarter Ended March 31			
	2017 Reported	Revenue Standard Adoption	Pension Standard Adoption	2017 Revised
Net sales	\$3,161.6	\$(3,161.6)	\$-	\$-
Product and equipment sales	-	2,604.4	-	2,604.4
Service and lease sales	-	558.0	-	558.0
Total net sales	3,161.6	0.8	-	3,162.4
Cost of sales	1,691.5	(1,691.5)	-	-

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Product and equipment cost of sales	-	1,499.8	0.9	1,500.7
Service and lease cost of sales	-	350.9	0.2	351.1
Total cost of sales (including special charges)	1,691.5	159.2	1.1	1,851.8
Selling, general and administrative expenses	1,090.6	(159.1)	15.7	947.2
Special (gains) and charges	6.2	-	-	6.2
Operating income	373.3	0.7	(16.8)	357.2
Other (income) expense	-	-	(16.8)	(16.8)
Interest expense, net	62.5	-	-	62.5
Income before income taxes	310.8	0.7	-	311.5
Provision for income taxes	54.0	0.2	-	54.2
Net income including noncontrolling interest	256.8	0.5	-	257.3
Net income attributable to noncontrolling interest	3.3	-	-	3.3
Net income attributable to Ecolab	\$253.5	\$0.5	\$-	\$254.0
Earnings attributable to Ecolab per common share				
Basic	\$ 0.87	\$ -		\$ 0.87
Diluted	\$ 0.86	\$ -		\$ 0.86

The following table presents the effect of the adoption of the new revenue standard on the selected accounts which were impacted in the Consolidated Balance Sheet:

(millions)	Year ended December 31		2017
	Reported	Revenue Standard Adoption	Revised
ASSETS			
Current assets			
Accounts receivable, net	\$2,574.1	\$(2.7)	\$2,571.4
Inventories	1,445.9	0.6	1,446.5
Total current assets	4,596.4	(2.1)	4,594.3
Other assets	474.2	3.2	477.4
Total assets	19,962.4	1.1	19,963.5
LIABILITIES AND EQUITY			
Current liabilities			
Other current liabilities	957.3	43.4	1,000.7
Total current liabilities	3,431.8	43.4	3,475.2
Deferred income taxes	642.8	(7.4)	635.4
Total liabilities	12,273.7	36.0	12,309.7
Equity			
Retained earnings	8,045.4	(33.8)	8,011.6
Accumulated other comprehensive loss (a)	(1,642.3)	(1.1)	(1,643.4)
Total Ecolab shareholders' equity	7,618.5	(34.9)	7,583.6
Total equity	7,688.7	(34.9)	7,653.8
Total liabilities and equity	\$19,962.4	\$1.1	\$19,963.5

(a) On a quarterly basis throughout 2017, revenue recognition adjustments had a nominal impact on foreign currency translation within accumulated other comprehensive loss. These revisions have been reflected within the Statement of Comprehensive Income.

ASU 2016-18 – Statement of Cash Flows (Topic 230): Restricted Cash

During the first quarter of 2018, the Company adopted the accounting guidance issued in 2016 that requires companies to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The Company's restricted cash is primarily associated with acquisitions, and the escrow payment associated with the proposed acquisition. As a result of the new guidance, the Company has updated the policy so restricted cash will no longer be shown as a transfer on the statement of cash flows, and a reconciliation of restricted cash will be added to the statement of cash flows.

The following table presents the effect of the adoptions of the restricted cash and revenue recognition standards on selected accounts in the Consolidated Statement of Cash Flows:

(millions)	First Quarter Ended March 31		Revenue Standard	2017
	2017 Reported	Restricted Cash Standard Adoption	Adoption	Revised
OPERATING ACTIVITIES				
Net income including noncontrolling interest	\$256.8	\$-	\$0.5	\$257.3
Adjustments to reconcile net income to cash provided by operating activities:				
Deferred income taxes	3.2	-	0.1	3.3
Changes in operating assets and liabilities, net of effect of acquisitions:				
Accounts receivable	76.3	-	0.1	76.4
Other liabilities	(73.5)	-	(0.7)	(74.2)
Cash provided by operating activities	425.7	-	-	425.7
INVESTING ACTIVITIES				
Restricted cash activity	53.8	(53.8)	-	-
Cash used for investing activities	(941.5)	(53.8)	-	(995.3)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	5.0	0.8	-	5.8
(Decrease) increase in cash, cash equivalents and restricted cash	(115.3)	(53.0)	-	(168.3)
Cash, cash equivalents and restricted cash, beginning of period	327.4	53.0	-	380.4
Cash, cash equivalents and restricted cash, end of period	\$212.1	\$-	\$-	\$212.1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Ecolab Inc.:

Results of Review of Financial Statements

We have reviewed the accompanying consolidated balance sheet of Ecolab Inc. and its subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, and cash flows for the three-month periods ended March 31, 2018 and 2017, and the consolidated statement of equity for the three-month period ended March 31, 2018, including the related notes (collectively referred to as the “interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the years then ended (not presented herein), and in our report dated February 23, 2018, we expressed an unqualified opinion on those consolidated financial statements. As discussed in Note 1 to the accompanying consolidated interim financial statements, the Company changed its method of accounting for the adoption of new accounting standards described in Note 17. The accompanying December 31, 2017 consolidated balance sheet and consolidated statements of equity for the years ended December 31, 2017 and 2016 reflect this change.

Basis for Review Results

These interim financial statements are the responsibility of the Company’s management. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“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 Securities and Exchange Commission and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial information 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 financial statements taken as a whole. Accordingly, we do not express such an opinion.