FMC CORP
Form 10-Q
May 03, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

---

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2018
or
o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _______ to _______
Commission File Number 1-2376

FMC CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	94-0479804
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2929 Walnut Street Philadelphia, Pennsylvania	19104
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 215-299-6000

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS YES x NO o
INDICATE BY CHECK MARK WHETHER THE REGISTRANT HAS SUBMITTED ELECTRONICALLY AND POSTED ON ITS CORPORATE WEBSITE, IF ANY, EVERY INTERACTIVE DATA FILE REQUIRED TO BE SUBMITTED AND POSTED PURSUANT TO RULE 405 OF REGULATION S-T DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO SUBMIT AND POST SUCH FILES) YES x NO o
INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A LARGE ACCELERATED FILER, AN ACCELERATED FILER, A NON-ACCELERATED FILER OR A SMALLER REPORTING COMPANY. SEE THE DEFINITIONS OF "LARGE ACCELERATED FILER," "ACCELERATED FILER," AND "SMALLER REPORTING COMPANY" IN RULE 12B-2 OF THE EXCHANGE ACT. (CHECK ONE):

LARGE ACCELERATED FILER	x	ACCELERATED FILER	o
NON-ACCELERATED FILER	o	SMALLER REPORTING COMPANY	o
		EMERGING GROWTH COMPANY	o

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 o

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 o NO x

Class	Outstanding at March 31, 2018
Common Stock, par value $0.10 per share	134,514,257

FMC CORPORATION
INDEX

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FMC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Three Months Ended March 31,	
	2018	2017
(in Millions, Except Per Share Data)	(unaudited)	
Revenue	$1,210.7	$596.0
Costs and Expenses		
Costs of sales and services	$656.0	$379.8
Gross margin	$554.7	$216.2
Selling, general and administrative expenses	200.4	114.3
Research and development expenses	65.9	28.2
Restructuring and other charges (income)	(77.7)	8.3
Total costs and expenses	$844.6	$530.6
Income from continuing operations before equity in (earnings) loss of affiliates, non-operating pension and postretirement charges (income), interest expense, net and income taxes	$366.1	$65.4
Equity in (earnings) loss of affiliates	(0.1)	(0.1)
Non-operating pension and postretirement charges (income)	0.5	(4.6)
Interest expense, net	33.9	15.7
Income (loss) from continuing operations before income taxes	$331.8	$54.4
Provision (benefit) for income taxes	68.7	9.4
Income (loss) from continuing operations	$263.1	$45.0
Discontinued operations, net of income taxes	6.5	(168.8)
Net income (loss)	$269.6	$(123.8)
Less: Net income (loss) attributable to noncontrolling interests	2.4	0.4
Net income (loss) attributable to FMC stockholders	$267.2	$(124.2)
Amounts attributable to FMC stockholders:		
Continuing operations, net of income taxes	$260.7	$44.5
Discontinued operations, net of income taxes	6.5	(168.7)
Net income (loss) attributable to FMC stockholders	$267.2	$(124.2)
Basic earnings (loss) per common share attributable to FMC stockholders:		
Continuing operations	$1.93	$0.33
Discontinued operations	0.05	(1.26)
Net income (loss) attributable to FMC stockholders	$1.98	$(0.93)
Diluted earnings (loss) per common share attributable to FMC stockholders:		
Continuing operations	$1.91	$0.33
Discontinued operations	0.05	(1.25)
Net income (loss) attributable to FMC stockholders	$1.96	$(0.92)

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

FMC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended March 31,	
	2018	2017
(in Millions)	(unaudited)	
Net income (loss)	$269.6	$(123.8)
Other comprehensive income (loss), net of tax:		
Foreign currency adjustments:		
Foreign currency translation gain (loss) arising during the period	$49.7	$43.2
Total foreign currency translation adjustments [1]	$49.7	$43.2
Derivative instruments:		
Unrealized hedging gains (losses) and other, net of tax of ($1.0) and ($2.1) for the three months ended March 31, 2018 and 2017, respectively	$1.5	$1.1
Reclassification of deferred hedging (gains) losses and other, included in net income, net of tax of $0.1 and ($0.2) for the three months ended March 31, 2018 and 2017, respectively [3]	0.4	(0.5)
Total derivative instruments, net of tax of ($0.9) and ($2.3) for the three months ended March 31, 2018 and 2017, respectively	$1.9	$0.6
Pension and other postretirement benefits:		
Unrealized actuarial gains (losses) and prior service (costs) credits, net of tax of ($0.7) and $2.7 for the three months ended March 31, 2018 and 2017, respectively [2]	$0.6	$4.4
Reclassification of net actuarial and other (gain) loss and amortization of prior service costs, included in net income, net of tax of $1.6 and $2.6 for the three months ended March 31, 2018 and 2017, respectively [3]	3.0	4.9
Total pension and other postretirement benefits, net of tax of $0.9 and $5.3 for the three months ended March 31, 2018 and 2017, respectively	$3.6	$9.3
Other comprehensive income (loss), net of tax	$55.2	$53.1
Comprehensive income (loss)	$324.8	$(70.7)
Less: Comprehensive income (loss) attributable to the noncontrolling interest	2.8	0.6
Comprehensive income (loss) attributable to FMC stockholders	$322.0	$(71.3)

(1) Income taxes are not provided on the equity in undistributed earnings of our foreign subsidiaries or affiliates since it is our intention that such earnings will remain invested in those affiliates indefinitely. Note, in the first quarter of 2017, we changed our assertion on unremitted earnings for certain foreign subsidiaries as a result of the sale of our FMC Health and Nutrition segment.

(2) At December 31 of each year, we remeasure our pension and postretirement plan obligations at which time we record any actuarial gains (losses) and prior service (costs) credits to other comprehensive income. The interim adjustments noted above typically reflect the foreign currency translation impacts from the unrealized actuarial gains (losses) and prior service (costs) credits related to our foreign pension and postretirement plans. During the three months ended March 31, 2017, due to the announced plans to divest of FMC Health and Nutrition business, we triggered a curtailment of our U.S. pension plans. As a result, we revalued our pension plans which resulted in adjustments to comprehensive income. See Note 15 for more information.

(3) For more detail on the components of these reclassifications and the affected line item in the condensed consolidated statements of income (loss) see Note 14.

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

FMC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in Millions, Except Share and Par Value Data)	March 31, 2018	December 31, 2017
ASSETS	(unaudited)	
Current assets		
Cash and cash equivalents	$359.7	$ 283.0
Trade receivables, net of allowance of $44.0 in 2018 and $38.7 in 2017	2,399.7	2,043.5
Inventories	1,035.2	992.5
Prepaid and other current assets	534.5	326.4
Current assets of discontinued operations held for sale	6.5	7.3
Total current assets	$4,335.6	$ 3,652.7
Investments	1.5	1.4
Property, plant and equipment, net	1,030.4	1,025.2
Goodwill	1,242.8	1,198.9
Other intangibles, net	2,805.2	2,631.8
Other assets including long-term receivables, net	472.2	443.6
Deferred income taxes	261.4	252.7
Total assets	$10,149.1	$ 9,206.3
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt	$328.9	$ 192.6
Accounts payable, trade and other	914.1	714.2
Advance payments from customers	191.6	380.6
Accrued and other liabilities	611.5	497.7
Accrued customer rebates	412.0	266.6
Guarantees of vendor financing	66.9	51.5
Accrued pension and other postretirement benefits, current	5.7	5.7
Income taxes	155.1	99.2
Current liabilities of discontinued operations held for sale	0.2	1.3
Total current liabilities	$2,686.0	$ 2,209.4
Long-term debt, less current portion	2,993.2	2,993.0
Accrued pension and other postretirement benefits, long-term	54.4	59.3
Environmental liabilities, continuing and discontinued	337.0	346.2
Deferred income taxes	179.1	173.2
Other long-term liabilities	884.7	718.1
Commitments and contingent liabilities (Note 18)		
Equity		
Preferred stock, no par value, authorized 5,000,000 shares; no shares issued in 2018 or 2017	$—	$ —
Common stock, $0.10 par value, authorized 260,000,000 shares; 185,983,792 issued shares in 2018 and 2017	18.6	18.6
Capital in excess of par value of common stock	457.2	450.7
Retained earnings	4,197.3	3,952.4
Accumulated other comprehensive income (loss)	(185.5)	(240.3)
Treasury stock, common, at cost - 2018: 51,469,535 shares, 2017: 51,653,236 shares	(1,501.0)	(1,499.6)
Total FMC stockholders' equity	$2,986.6	$ 2,681.8
Noncontrolling interests	28.1	25.3
Total equity	$3,014.7	$ 2,707.1
Total liabilities and equity	$10,149.1	$ 9,206.3

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

FMC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2018	2017
(in Millions)	(unaudited)	
Cash provided (required) by operating activities of continuing operations:		
Net income (loss)	$269.6	$(123.8)
Discontinued operations	(6.5)	168.8
Income (loss) from continuing operations	$263.1	$45.0
Adjustments from income from continuing operations to cash provided (required) by operating activities of continuing operations:		
Depreciation and amortization	$39.1	$23.6
Equity in (earnings) loss of affiliates	(0.1)	(0.1)
Restructuring and other charges (income)	(77.7)	8.3
Deferred income taxes	(18.2)	4.8
Pension and other postretirement benefits	2.3	(2.3)
Share-based compensation	6.3	6.3
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
Trade receivables, net	(347.6)	78.8
Guarantees of vendor financing	15.7	(2.6)
Inventories	(31.8)	(37.9)
Accounts payable, trade and other	194.8	68.0
Advance payments from customers	(189.6)	(209.9)
Accrued customer rebates	142.0	72.3
Income taxes	83.0	1.1
Pension and other postretirement benefit contributions	(2.4)	(0.9)
Environmental spending, continuing, net of recoveries	(2.0)	(9.6)
Restructuring and other spending	(4.6)	(2.1)
Acquisition-related charges	(34.0)	—
Change in other operating assets and liabilities, net [1]	(100.0)	(112.8)
Cash provided (required) by operating activities of continuing operations	$(61.7)	$(70.0)
Cash provided (required) by operating activities of discontinued operations:		
Environmental spending, discontinued, net of recoveries	$(3.7)	$(5.1)
Other discontinued spending	(5.0)	(9.5)
Operating activities of discontinued operations, net of divestiture costs	(8.0)	49.7
Cash provided (required) by operating activities of discontinued operations	$(16.7)	$35.1

(1) Changes in all periods primarily represent timing of payments associated with all other operating assets and liabilities.

The accompanying notes are an integral part of these condensed consolidated financial statements.
(continued)

6

FMC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Three Months Ended March 31,	
	2018	2017
(in Millions)	(unaudited)	
Cash provided (required) by investing activities of continuing operations:		
Capital expenditures	$(24.3)	$(8.7)
Proceeds from sale of product portfolio	85.0	—
Proceeds from disposal of property, plant and equipment	0.1	0.8
Acquisitions, net (2)	13.2	—
Other investing activities	(13.9)	(17.0)
Cash provided (required) by investing activities of continuing operations	$60.1	$(24.9)
Cash provided (required) by investing activities of discontinued operations:		
Other discontinued investing activities	$(15.0)	$(6.2)
Cash provided (required) by investing activities of discontinued operations	$(15.0)	$(6.2)
Cash provided (required) by financing activities of continuing operations:		
Increase (decrease) in short-term debt	$138.0	$120.1
Repayments of long-term debt	(0.6)	(0.7)
Financing fees	—	(8.5)
Issuances of common stock, net	3.9	9.6
Transactions with noncontrolling interests	—	(0.5)
Dividends paid (3)	(22.3)	(22.1)
Other repurchases of common stock	(5.1)	(1.4)
Cash provided (required) by financing activities of continuing operations	$113.9	$96.5
Effect of exchange rate changes on cash and cash equivalents	(3.9)	1.4
Increase (decrease) in cash and cash equivalents	76.7	31.9
Cash and cash equivalents, beginning of period	283.0	64.2
Cash and cash equivalents, end of period	$359.7	$96.1

(2) Represents the cash received as a result of the working capital settlement associated with the consideration paid for the DuPont Crop Protection Business. See Note 4 for more information on the non-cash consideration transferred to DuPont.
(3) See Note 14 regarding quarterly cash dividend.

Supplemental disclosure of cash flow information: Cash paid for interest, net of capitalized interest was $35.0 million and $22.0 million, and income taxes paid (refunded) were $12.0 million and $3.4 million for the three months ended March 31, 2018 and 2017, respectively. Net interest payments of $5.3 million and tax payments, net of refunds of $1.4 million were allocated to discontinued operations for the three months ended March 31, 2017, respectively. Non-cash additions to property, plant and equipment were $4.6 million and $3.1 million for the three months ended March 31, 2018 and 2017.

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

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1: Financial Information and Accounting Policies
In our opinion the condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) applicable to interim period financial statements and reflect all adjustments necessary for a fair statement of results of operations for the three months ended March 31, 2018 and 2017, cash flows for the three months ended March 31, 2018 and 2017, and our financial positions as of March 31, 2018 and December 31, 2017. All such adjustments included herein are of a normal, recurring nature unless otherwise disclosed in the Notes. The results of operations for the three months ended March 31, 2018 and 2017 are not necessarily indicative of the results of operations for the full year. The condensed consolidated balance sheets as of March 31, 2018 and December 31, 2017, and the related condensed consolidated statements of income (loss) and condensed consolidated statements of comprehensive income (loss) for the three months ended March 31, 2018 and 2017 and condensed consolidated statements of cash flows for the three months ended March 31, 2018 and 2017, have been reviewed by our independent registered public accountants. The review is described more fully in their report included herein. Our accounting policies are set forth in detail in Note 1 to the consolidated financial statements included with our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2017 (the “2017 10-K”).

Certain prior year amounts have been reclassified to conform to current year's presentation. Refer to the discussion within Note 2 for the impact of adopting guidance related to the presentation of net benefit cost.

Note 2: Recently Issued and Adopted Accounting Pronouncements and Regulatory Items
New accounting guidance and regulatory items
In March 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-05, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. This update amends several paragraphs in ASC 740 that contain SEC guidance related to SAB 118, which was previously issued in December 2017 by the SEC. These amendments are effective upon inclusion in the codification. As discussed in our 2017 Form 10-K, we will continue to refine our calculations and finalize the accounting for the changes in tax law within the measurement period of up to one year. Refer to Note 16 for more information.

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This new standard permits a company to reclassify the income tax effects of the change in the U.S federal corporate income tax rate on the gross deferred tax amounts and related valuation allowances as well as other income tax effects related to the application of the Tax Cuts and Jobs Act (the "Act") within Accumulated other comprehensive income ("AOCI") to retained earnings. There are also new required disclosures such as a description of the accounting policy for releasing income tax effects from AOCI as well as certain disclosures in the period of adoption if a company elects to reclassify the income tax effects. The new standard is effective for fiscal years beginning after December 15, 2018 (i.e. a January 1, 2019 effective date), and interim periods within those fiscal years, with early adoption permitted. We are evaluating the effect the guidance will have on our consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815). This ASU amends and simplifies existing hedge accounting guidance and allows for more hedging strategies to be eligible for hedge accounting. In addition, the ASU amends disclosure requirements and how hedge effectiveness is assessed. The new standard is effective for fiscal years beginning after December 15, 2018 (i.e. a January 1, 2019 effective date), with early adoption permitted in any interim period after issuance of this ASU. We are evaluating the effect the guidance will have on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This ASU changes the subsequent measurement of goodwill impairment by eliminating Step 2 from the impairment test. Under the new guidance, an entity will measure impairment using the difference between the carrying amount and the fair value of the reporting unit. The new standard is effective for fiscal years beginning after December 15, 2019 (i.e. a January 1, 2020 effective date), with early adoption permitted for goodwill impairment tests with measurement dates after January 1, 2017. We believe the adoption will not have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. ASU 2016-13 replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses. The update is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The new standard is effective for fiscal years beginning after December 15, 2019 (i.e. a January 1, 2020 effective

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

date), with early adoption permitted for fiscal years beginning after December 15, 2018. We are evaluating the effect the guidance will have on our consolidated financial statements.

In February 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize for all leases (with the exception of short-term leases) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e. a January 1, 2019 effective date). We have established an overall project plan to support the implementation of the new lease standard. As part of our impact assessment, we have performed an initial scoping exercise and preliminary determined our lease population. A framework for the embedded lease identification process has been developed and we are currently evaluating non-lease contracts for embedded lease considerations. Additionally, we are in the process of assessing any potential impacts on our internal controls and processes related to both the implementation and ongoing compliance of the new guidance. We expect total assets and total liabilities will likely increase in the period of adoption.

Recently adopted accounting guidance
In May 2017, the FASB issued ASU No. 2017-09, Stock Compensation - Scope of Modification Accounting. This ASU provides guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The new standard is effective for fiscal years beginning after December 15, 2017 (i.e. a January 1, 2018 effective date). We adopted this standard beginning in 2018. We will apply the new guidance for any non-substantive changes in our share-based awards in future periods. There was no impact to our consolidated financial statements upon adoption.

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU provides requirements for the presentation and disclosure of net benefit cost on the financial statements. The service cost component of net benefit cost is required to be presented in the income statement line item where the associated compensation cost is reported, while the other components of net benefit cost are required to be presented outside of operating income. The new standard is effective for fiscal years beginning after December 15, 2017 (i.e. a January 1, 2018 effective date). We adopted this standard on a retrospective basis. As a result, we have reclassified non-operating pension and postretirement charges (income) from "Selling, general and administrative expenses" to "Non-operating pension and postretirement charges (income)" within the condensed consolidated statements of income (loss). For the three months ended March 31, 2017, we reclassified $4.6 million of non-operating pension and postretirement income. There was no impact to our net income. Refer to the table below.

	Three Months Ended March 31, 2017		
(in Millions)	As Reported	Reclassification	As adjusted
Selling, general and administrative expenses	$ 109.7	$ (4.6)	$ 114.3
Non-operating pension and postretirement charges (income)	—	4.6	(4.6)

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations. This new ASU clarified the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new standard is effective for fiscal years beginning after December 15, 2017 (i.e. a January 1, 2018 effective date) and will be applied prospectively. We adopted this standard beginning in 2018. We expect these provisions to impact future transactions of acquisitions or disposals. However, there was no impact to our consolidated financial statements upon adoption.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740), Intra-Entity Transfers of Assets Other Than Inventory. Under the new guidance, an entity will recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new standard is effective for fiscal years beginning after December 15, 2017 (i.e. a January 1, 2018 effective date), with early adoption permitted only in the first quarter of a fiscal year. We adopted this standard beginning in 2018. There was no material impact to our consolidated financial statements upon adoption.

In August 2016, the FASB issued ASU No. 2016-15, Statements of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. This ASU addresses eight specific cash flow issues with the goal of reducing the existing diversity in practice in how certain cash receipts and cash payments are both presented and classified in the statement of cash flows. The new standard

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years (i.e. a January 1, 2018 effective date), with early adoption permitted. We adopted this standard beginning in 2018. Based on our review of the eight cash flow issues, there were no significant changes to our presentation of certain cash receipts and payments within our consolidated cash flow statement.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017 (i.e. a January 1, 2018 effective date), and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. We adopted this standard beginning in 2018. There was no material impact on our consolidated financial statements upon adoption.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers as a new topic, Accounting Standards Codification Topic 606. This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance replaced most existing revenue recognition guidance in U.S. GAAP. On January 1, 2018, we adopted ASU 2014-09 and its related amendments (collectively known as ASC 606) using the modified retrospective adoption method.
In order to adopt this standard, we performed an impact assessment by analyzing revenue transactions and arrangements that are representative of our business segments and their revenue streams. Additionally, we assessed any potential impacts on our internal controls and processes related to both the implementation and ongoing compliance of the new guidance. Our assessment procedures included the DuPont Crop Protection Business, which was acquired on November 1, 2017.
The standard impacted our disclosures including disclosures presenting further disaggregation of revenue. Refer to Note 3 for further information. Based on our assessment, there was no cumulative catchup effect of initially applying ASC 606 that required an adjustment to our retained earnings; however, we have recognized balance sheet adjustments related to the presentation of sales returns liabilities and corresponding refund assets. The comparative information has not been adjusted and continues to be reported under ASC 605.
Utilizing the practical expedients and exemptions allowed under the modified retrospective method, ASC 606 was only applied to existing contracts (i.e. those for which FMC has remaining performance obligations) as of January 1, 2018, and new contracts entered into after January 1, 2018. ASC 606 was not applied to contracts that were completed prior to December 31, 2017. The impacts of the adoption of ASC 606 are set out below.
The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of ASC 606, Revenue from Contracts with Customers, was as follows:

	Balance at December 31, 2017	Adjustments due to ASC 606	Balance at January 1, 2018
(in Millions)	Amounts as originally reported	Adjustment	Amounts as adjusted
Assets			

Prepaid and other current assets	$ 326.4	$ 84.8	$ 411.2
Liabilities and Equity			
Accrued and other liabilities	$ 497.7	$ 84.8	$ 582.5

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated balance sheet was as follows:

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

	March 31, 2018		
(in Millions)	Amounts as reported	Adjustment due to ASC 606	Amounts without ASC 606 adjustment
Balance Sheet			
Assets			
Prepaid and other current assets	$534.5	$ (95.9)	$ 438.6
Liabilities and Equity			
Accrued and other liabilities	$611.5	$ (95.9)	$ 515.6

The adoption of ASC 606 requires FMC to record its estimated product returns gross on the balance sheet. Therefore, a refund liability is recognized for the consideration paid by a customer to which FMC does not expect to be entitled, together with a corresponding asset to recover the product from the customer. Presenting estimated product returns gross on the balance sheet resulted in impacts to the above asset and liability line items.

Note 3: Revenue Recognition

Disaggregation of revenue
FMC disaggregates revenue from contracts with customers by business segment and by geographical areas. Our FMC Agricultural Solutions segment is further disaggregated into three major pesticide product categories - Insecticides, Herbicides, and Fungicides - and our FMC Lithium segment is disaggregated into three product categories - Lithium Hydroxide, Butyllithium and Other Specialty Compounds, and Lithium Carbonate & Lithium Chloride. The disaggregated revenue tables below are reconciled to FMC's reportable segments, as defined in Note 19 - Segment Information, for the three months ended March 31, 2018.
The following table provides information about disaggregated revenue by major geographical region:

(in Millions)	Three Months Ended March 31, 2018
FMC Agricultural Solutions	
North America	$298.2
Latin America	158.9
Europe, Middle East & Africa	398.8
Asia Pacific	252.0
Total FMC Agricultural Solutions Revenue	$1,107.9
FMC Lithium	
North America	$19.9
Latin America	0.7
Europe, Middle East & Africa	17.5
Asia Pacific	64.7
Total FMC Lithium Revenue	$102.8
Total FMC Revenue	$1,210.7

The following table provides information about disaggregated revenue by major product category:

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

(in Millions)	Three Months Ended March 31, 2018
FMC Agricultural Solutions	
Insecticides	$589.3
Herbicides	385.7
Fungicides	79.0
Other	53.9
Total FMC Agricultural Solutions Revenue	$1,107.9
FMC Lithium	
Lithium Hydroxide	$49.8
Butyllithium and Other Specialty Compounds	42.4
Lithium Carbonate & Lithium Chloride	10.6
Total FMC Lithium Revenue	$102.8
Total FMC Revenue	$1,210.7

FMC Agricultural Solutions
The Company earns revenue from the sale of a wide range of products to a diversified base of customers around the world. FMC Agricultural Solutions' portfolio is comprised of three major pesticide categories: insecticides, herbicides and fungicides. These products are used in agriculture to enhance crop yield and quality by controlling a broad spectrum of insects, weeds and disease, as well as in non-agricultural markets for pest control. The majority of our product lines consist of insecticides and herbicides, and we have a small but fast-growing portfolio of fungicides mainly used in high value crop segments. The Company's insecticides are used to control a wide spectrum of pests, while our herbicide portfolio primarily targets a large variety of difficult-to-control weeds. Products in the other category include various agricultural products such as synthetics, growth promoters, and soil enhancements.
FMC Lithium
The FMC Lithium segment manufactures lithium for use in a wide range of products, which are used primarily in portable energy storage, specialty polymers and chemical synthesis applications. FMC’s Lithium business segment focuses on producing specialty products - Lithium hydroxide and butyllithium. These products are developed and sold to global and regional customers in the electronic vehicle, polymer and specialty alloy metals market. Lithium hydroxide products are used in advanced batteries for hybrid electric, plug-in hybrid, and all-electric vehicles as well as other products that require portable energy storage such as smart phones, tablets, laptop computers, and military devices. Butyllithium products are primarily used as polymer initiators and in the synthesis of pharmaceuticals. Additionally, FMC sells whatever Lithium carbonate & Lithium chloride it does not use internally to its customers for various applications.
Sale of Goods
Revenue from product sales is recognized when (or as) FMC satisfies a performance obligation by transferring the promised goods to a customer, that is, when control of the good transfers to the customer. The customer is then invoiced at the agreed-upon price with payment terms generally ranging from 30 to 90 days, with some regions providing terms longer than 90 days. The Company does not typically give payment terms that exceed 360 days; however, in certain geographical regions such as Latin America, these terms may be given in limited circumstances. Additionally, a timing difference of over one year can exist between when products are delivered to the customer and

when payment is received from the customer in these regions; however, the effect of these sales is not material to the financial statements as a whole. Furthermore, we have assessed the circumstances and arrangements in these regions and determined that the contracts with these customers do not contain a significant financing component.

In determining when the control of goods is transferred, the Company typically assesses, among other things, the transfer of risk and title and the shipping terms of the contract. The transfer of title and risk typically occurs either upon shipment to the customer or upon receipt by the customer. As such, FMC typically recognizes revenue when goods are shipped based on the relevant incoterm

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

for the product order, or in some regions, when delivery to the customer’s requested destination has occurred. When the Company performs shipping and handling activities after the transfer of control to the customer (e.g., when control transfers prior to delivery), they are considered as fulfillment activities, and accordingly, the costs are accrued for when the related revenue is recognized. For FOB shipping point terms, revenue is recognized at the time of shipment since the customer gains control at this point in time.

We record amounts billed for shipping and handling fees as revenue. Costs incurred for shipping and handling are recorded as costs of sales and services. Amounts billed for sales and use taxes, value-added taxes, and certain excise and other specific transactional taxes imposed on revenue-producing transactions are presented on a net basis and excluded from sales in the consolidated income statements. We record a liability until remitted to the respective taxing authority.

Sales Incentives

As a part of its customary business practice, the Company offers a number of sales incentives to its customers including volume discounts, retailer incentives, and prepayment options. The variable considerations given can differ by products, support levels and other eligibility criteria. For all such contracts that include any variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price utilizing either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Company’s judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Although determining the transaction price requires significant judgment, the Company has significant historical experience with incentives provided to customers and estimates the expected consideration considering historical patterns of incentive payouts. These estimates are re-assessed each reporting period as required.

Right of Return

FMC extends an assurance warranty offering customers a right of refund or exchange in case delivered product does not conform to specifications. Additionally, in certain regions and arrangements, we may offer a right of return for a specified period. Both instances are accounted for as a right of return and transaction price is adjusted for an estimate of expected returns. Replacement product are accounted for under the warranty guidance if the customer exchanges one product for another of the same kind, quality, and price. The Company has significant experience with historical return patterns and uses this experience to include returns in the estimate of transaction price.

Contract asset and contract liability balances

FMC satisfies its obligations by transferring goods and services in exchange for consideration from customers. The timing of performance sometimes differs from the timing the associated consideration is received from the customer, thus resulting in the recognition of a contract liability. FMC recognizes a contract liability if the customer's payment of consideration is received prior to completion of FMC's related performance obligation.

The following tables present the opening and closing balances of FMC's receivables (net of allowances) and contract liabilities from contracts with customers.

(in Millions)	Balance as of December 31, 2017	Balance as of March 31, 2018	Increase (Decrease)
Receivables from contracts with customers, net of allowances	$ 2,150.2	$2,518.0	$ 367.8
Contract liabilities: Advance payments from customers	380.6	191.6	(189.0)

The amount of revenue recognized in the current period that was included in the opening contract liability balance is $189.0 million, which primarily relates to revenue from prepayment contracts with customers in the FMC Agricultural Solutions segment.

The balance of receivables from contracts with customers listed in the table above include both current trade receivables and long-term receivables, net of allowance for doubtful accounts. The allowance for receivables represents our best estimate of the probable losses associated with potential customer defaults. We determine the allowance based on historical experience, current collection trends, and external business factors such as economic factors, including regional bankruptcy rates, and political factors. The change in allowance for doubtful accounts for both current trade receivables and long-term receivables is representative of the impairment of receivables as of March 31, 2018. Refer to Note 6 for further information.

Table of Contents

FMC periodically enters into prepayment arrangements with customers, and receives advance payments for product to be delivered in future periods. Prepayment terms are extended to customers/distributors in order to capitalize on surplus cash with growers. Growers receive bulk payments for their produce, which they leverage to buy FMC products from distributors through prepayment options. This in turn creates opportunity for distributors to make large prepayments to FMC for securing the future supply of products to be sold to growers. Prepayments are typically received in the fourth quarter of the fiscal year and are for the following marketing year indicating that the time difference between prepayment and performance of corresponding performance obligations does not exceed one year. FMC recognizes these prepayments as a liability under "Advance Payments from customers" on the consolidated balance sheet when they are received. Revenue associated with advance payments is recognized as shipments are made and transfer of control to the customer takes place. Advance payments from customers was $380.6 million as of December 31, 2017 and $191.6 million as of March 31, 2018.

Performance obligations

At contract inception, FMC assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer a good or service (or bundle of goods or services) that is distinct. To identify the performance obligations, the Company considers all the goods or services promised in the contract, whether explicitly stated or implied based on customary business practices. Based on our evaluation, we have determined that our current contracts do not contain more than one performance obligation. Revenue is recognized when (or as) the performance obligation is satisfied, which is when the customer obtains control of the good or service.

Periodically, in both FMC Agricultural Solutions and FMC Lithium segments, FMC may enter into contracts with customers which require them to submit a forecast of non-binding purchase obligations to us. These forecasts are typically provided by the customer to FMC in good faith, and there are no penalties or obligations if the forecasts are not met. Accordingly, we have determined that these are optional purchases and do not represent material rights and are not considered as unsatisfied (or partially satisfied) performance obligations for the purposes of this disclosure.

In separate and less common circumstances, FMC may have contracts with customers which have binding purchase requirements for just one quarter of their annual forecasts. Additionally, as noted in the Contract Liabilities section above, FMC periodically enters into agricultural prepayment arrangements with customers, and receives advance payments for product to be delivered in future periods within one year. The Company has elected not to disclose the aggregate amount of the transaction price allocated to remaining performance obligations for these two types of contracts as they have an expected duration of one year or less and the revenue is expected to be recognized within the next year.

Occasionally, our FMC Lithium business may enter into multi-year take or pay supply agreements with customers. The aggregate amount of revenue expected to be recognized related to these contracts' performance obligations that are unsatisfied or partially satisfied is approximately $28 million for the remainder of 2018, $62 million in 2019, and $49 million in 2020. These approximate revenues do not include amounts of variable consideration attributable to contract renewals or contract contingencies. Based on our past experience with the customers under these arrangements, we expect to continue recognizing revenue in accordance with the contracts as we transfer control of the product to the customer (refer to the sales of goods section for our determination of transfer of control). However, in the case a shortfall of volume purchases occurs, we will recognize the amount payable by the customer ratably over the contract term.

Other arrangements

Data Licensing

FMC sometimes grants to third parties a license and right to rely upon pesticide regulatory data filed with government agencies. Such licenses allow a licensee to cite and rely upon FMC's data in connection with the licensee's application for pesticide registrations as required by law; these licenses can be granted through contract or through a mandatory statutory license, depending on circumstances. In the most common occurrence, when a license is embedded in a contract for supply of pesticide active ingredient from FMC to the licensee, the license grant is not considered as distinct from other promised goods or services. Accordingly, all promises are treated as a single performance obligation and revenue is recognized at a point when the control of the pesticide products is transferred to the licensee-customer. In the less frequent occurrence, when the license and right to use data is granted without a supply contract, FMC accounts for the revenue attributable to the data license as a performance obligation satisfied at a single point in time and recognizes revenue on the effective date of such contract. Finally, in those circumstance of mandatory

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

data licensing by statute, such as under U.S. pesticide law, FMC recognizes the data compensation upon the effective date of the data compensation settlement agreement. Payment terms for these arrangements may vary by contract.

Service Arrangements

In limited cases, FMC engages in providing certain tolling services, such as filling and packing services using raw and packing materials supplied by the customer. However, as a result of the DuPont Crop Protection Business Acquisition, on November 1, 2017 DuPont and FMC entered into an agreement to provide tolling services to one another for up to five years from the acquisition date. Depending on the nature of the tolling services, FMC determines the appropriate method of satisfaction of the performance obligation, which may be the input or output method. Compared to other goods and services provided by FMC, service arrangements do not represent a significant portion of sales each year. Payment terms for service arrangements may vary by contract; however, payment is typically due within 30 days of the invoice date.

Practical Expedients and Exemptions

FMC incurs certain costs such as sales commissions which are incremental to obtaining the contract. The Company has taken the practical expedient of expensing such costs to obtain a contract, as and when they are incurred, as their expected amortization period is one year or less. Additionally, FMC has elected the following practical expedients following the adoption of ASC 606:

a. Costs of obtaining a contract: FMC incurs certain costs such as sales commissions which are incremental to obtaining the contract. The Company has taken the practical expedient of expensing such costs to obtain a contract, as and when they are incurred, as their expected amortization period is one year or less.
b. Significant financing component: The Company elected not to adjust the promised amount of consideration for the effects of a significant financing component if FMC expects, at contract inception, that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.
c. Remaining performance obligations: The Company elected not to disclose the aggregate amount of the transaction price allocated to remaining performance obligations for its contracts that are one year or less, as the revenue is expected to be recognized within one year. Additionally, the Company has elected not to disclose information about variable considerations for remaining, wholly unsatisfied performance obligations for which the criteria in paragraph 606-10-32-40 have been met.
d. Shipping and handling costs: The Company elected to account for shipping and handling activities that occur after the customer has obtained control of a good as fulfillment activities (i.e., an expense) rather than as a promised service.
e. Measurement of transaction price: The Company has elected to exclude from the measurement of transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer.

Note 4: Acquisitions

DuPont Crop Protection

On November 1, 2017, pursuant to the terms and conditions set forth in the Transaction Agreement entered into with E. I. du Pont de Nemours and Company (“DuPont"), we completed the acquisition of certain assets relating to DuPont's Crop Protection business and research and development ("R&D") organization (the "DuPont Crop Protection Business") (collectively, the "DuPont Crop Protection Business Acquisition"). In connection with this transaction, we sold to DuPont our FMC Health and Nutrition segment and paid DuPont $1.2 billion in cash which was funded with the 2017 Term Loan Facility which was secured for the purposes of the Acquisition. See Note 10 for more details.

The following table illustrates each component of the consideration paid as part of the DuPont Crop Protection Business Acquisition:

(in Millions)	Amount
Cash purchase price, net [1]	$1,225.6
Cash proceeds from working capital adjustment	(13.2)
Fair value of FMC Health and Nutrition sold to DuPont	1,968.6
Total purchase consideration	$3,181.0

(1) Represents the cash portion of the total purchase consideration paid for the DuPont Crop Protection Business Acquisition.

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

As part of the DuPont Crop Protection Business Acquisition, we acquired various manufacturing contracts. The manufacturing contracts have been recognized as an asset or liability to the extent the terms of the contract are favorable or unfavorable compared with market terms of the same or similar items at the date of the acquisition. We also entered into supply agreements with DuPont, with terms of up to five years, to supply technical insecticide products required for their retained seed treatment business at cost. The unfavorable liability is recorded within both "Accrued and other liabilities" and "Other long-term liabilities" on the condensed consolidated balance sheets and is reduced and recognized to revenues within earnings as sales are made. The amount recognized in revenue for the three months ended March 31, 2018 was approximately $18 million.

Certain manufacturing sites and R&D sites will be transferred to us at a later date due to various local timing constraints; however, we will still obtain the economic benefit from these sites during the period from November 1, 2017 to when the sites legally transfer. No additional consideration will be paid at the date of transfer.

The DuPont Crop Protection Business is being integrated into our FMC Agricultural Solutions segment and has been included within our results of operations since the date of acquisition.

In the third quarter of 2017, both the European Commission and Competition Commission of India had conditionally approved our acquisition of certain assets of DuPont’s Crop Protection business. The DuPont Crop Protection Business Acquisition was conditioned upon us divesting the portfolio of products required by the respective regulatory bodies. These divestitures are expected to impact FMC Agricultural Solutions’ annual 2018 operating profit by approximately $20 million. On February 1, 2018, we completed the sale of a portion of FMC's European herbicide portfolio to Nufarm Limited and received proceeds of $85.0 million plus $2.0 million of working capital. We recorded a gain on sale of approximately $85 million. This divestiture satisfied FMC's commitments to the European Commission related to the DuPont Crop Protection Business Acquisition. In December 2017, the Competition Commission of India issued its final order describing the required Indian remedy. We are in the process of divesting products in compliance with that order and we expect the transaction to be completed during 2018.

Purchase Price Allocation

We applied acquisition accounting under the U.S. GAAP business combinations guidance. Acquisition accounting requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The net assets of the DuPont Crop Protection Business Acquisition will be recorded at the estimated fair values using primarily Level 2 and Level 3 inputs (see Note 17 for an explanation of Level 2 and Level 3 inputs). In valuing acquired assets and assumed liabilities, valuation inputs include an estimate of future cash flows and discount rates based on the internal rate of return and the weighted average rate of return.

The allocation of the purchase price to the assets acquired and liabilities assumed, including the residual amount allocated to goodwill, is based upon preliminary information and is subject to change within the measurement period (up to one year from the acquisition date) as additional information concerning final asset and liability valuations is obtained. Any changes to the initial allocation are referred to as measurement-period adjustments.

Measurement-period adjustments since our initial preliminary estimates reported in our 2017 Form 10-K were primarily related to decreases in the estimated fair values of certain current assets and intangible assets as well as a net increase in the fair value of liabilities assumed. The cumulative effect of all measurement-period adjustments resulted in an increase to recognized goodwill of approximately $44 million.

The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair value of inventories, property, plant and equipment, intangible assets, contingent liabilities, including uncertain tax positions, deferred tax assets and liabilities as well as other assets and liabilities. During the measurement period, if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in revised estimated values of those assets or liabilities as of that date we will revise the preliminary purchase price allocation. The effect of measurement period adjustments to the estimated fair values will be reflected as if the adjustments had been completed on the acquisition date. The impact of all changes that do not qualify as measurement period adjustments will be included in current period earnings.

The following table summarizes the consideration paid for the DuPont Crop Protection Business and the amounts of the assets acquired and liabilities assumed as of the acquisition date, which have been allocated on a preliminary basis.

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

Preliminary Purchase Price Allocation	
(in Millions)	
Trade receivables (1)	$45.8
Inventories (2)	380.0
Other current assets	77.5
Property, plant & equipment	436.4
Intangible assets:	
Indefinite-lived brands	1,301.2
Customer relationships (3)	761.4
Goodwill (4)	735.6
Deferred tax assets	86.8
Other noncurrent assets	13.7
Total fair value of assets acquired	$3,838.4
Accounts payable, trade and other (1)	$32.9
Accrued and other current liabilities (5)	145.6
Accrued pension and other postretirement benefits, long-term	7.6
Environmental liabilities (6)	2.6
Deferred tax liabilities	29.1
Other long-term liabilities (5)	439.6
Total fair value of liabilities assumed	$657.4
Total purchase consideration paid	$3,181.0
Less: Noncontrolling interest	(12.5)
Total purchase consideration paid less noncontrolling interest	$3,168.5

---

(1) Represents the accounts receivable and accounts payable of the legal entity stock sales as part of the DuPont Crop Protection Acquisition. As part of the Transaction Agreement, these balances will be settled subsequent to the closing date through reimbursement between FMC and DuPont. The offsetting amounts due from and due to DuPont are recorded within Other current assets and Accrued and other current liabilities, respectively.

(2) Fair value of finished goods inventory acquired included a step-up in the value of $80.3 million. Approximately $50.1 million has been amortized, of which $29.9 million was amortized in the three months ended March 31, 2018 and included in "Cost of sales and services" on the condensed consolidated statements of income (loss).

(3) The weighted average useful life of the acquired customer relationships is approximately 20 years.

(4) Goodwill largely consists of expected cost synergies and economies of scale resulting from the business combination.

(5) Includes the short-term and long-term portions of the unfavorable supply contract with Dupont of approximately $495 million recorded in "Accrued and other current liabilities" and "Other long-term liabilities", respectively.

(6) Represents both the short-term and long-term portion of the environmental obligations at certain sites of the acquired DuPont Crop Protection Business that is indemnified by DuPont as part of the Transaction Agreement. The indemnification asset was recorded within Other assets.

Unaudited Pro Forma Financial Information

The following unaudited pro forma results of operations assume that the DuPont Crop Protection Business Acquisition occurred at the beginning of the periods presented. The pro forma amounts include certain adjustments, including interest expense on the borrowings used to complete the acquisition, depreciation and amortization expense and income taxes. The pro forma amounts for the three month period below exclude transaction-related charges. The pro forma results do not include adjustments related to cost savings or other synergies that are anticipated as a result of the acquisition. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operations would have been if the acquisitions had occurred as of January 1, 2017, nor are they indicative of future results of operations.

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

(in Millions)	Three Months Ended March 31, 2018	2017
Pro forma Revenue [1]	$1,210.7	$1,043.0
Pro forma Diluted earnings per share from continuing operations [1]	1.91	1.39

____

(1) For the three months ended March 31, 2018, pro forma results and actual results are the same.

Transaction-related charges
Pursuant to US GAAP, costs incurred associated with the acquisitions and separation activities are expensed as incurred. The following table summarizes the costs incurred associated with these activities.

(in Millions)	Three Months Ended March 31, 2018	2017
Transaction-related charges		
Legal and professional fees [1]	$22.3	$9.2
Inventory fair value amortization [2]	29.9	—
Total Transaction-related charges	$52.2	$9.2

____

(1) Represents transaction costs, costs for transitional employees, other acquired employees related costs, and integration-related and transactional-related legal and professional third-party fees. These charges are recorded as a component of “Selling, general and administrative expense" on the condensed consolidated statements of income (loss).

(2) These charges are recorded as a component of "Costs of sales and services" on the condensed consolidated statements of income (loss).

Note 5: Goodwill and Intangible Assets
The changes in the carrying amount of goodwill by business segment are presented in the table below:

(in Millions)	FMC Agricultural Solutions	FMC Lithium	Total
Balance, December 31, 2017	$ 1,198.9	$ —	$1,198.9
Purchase price allocation adjustments (See Note 4)	43.8	—	43.8
Foreign currency and other adjustments	0.1	—	0.1
Balance, March 31, 2018	$ 1,242.8	$ —	$1,242.8

There were no events or circumstances indicating that goodwill might be impaired as of March 31, 2018.

Our intangible assets, other than goodwill, consist of the following:

	March 31, 2018			December 31, 2017		
(in Millions)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization (finite-lived)						
Customer relationships	$1,173.6	$ (88.3)	$1,085.3	$1,122.5	$ (73.3)	$1,049.2
Patents	2.0	(0.6)	1.4	2.0	(0.6)	1.4

Brands [1]	16.3	(6.6	) 9.7	15.7	(6.2	) 9.5
Purchased and licensed technologies	58.0	(30.2	) 27.8	57.3	(28.9	) 28.4
Other intangibles	2.9	(2.1	) 0.8	2.9	(2.0	) 0.9
	$1,252.8	$ (127.8	) $1,125.0	$1,200.4	$ (111.0	) $1,089.4

18

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

Intangible assets not subject to amortization (indefinite-lived)						
Crop Protection Brands [1][2]	$1,258.5		$1,258.5	$1,136.1		$1,136.1
Brands [1] [3]	421.0		421.0	405.6		405.6
In-process research & development	0.7		0.7	0.7		0.7
	$1,680.2		$1,680.2	$1,542.4		$1,542.4
Total intangible assets	$2,933.0	$(127.8)	$2,805.2	$2,742.8	$(111.0)	$2,631.8

(1) Represents trademarks, trade names and know-how.
(2) Represents the proprietary brand portfolios, consisting of trademarks, trade names and know-how, acquired from the DuPont Crop Protection Business Acquisition.
(3) The majority of the Brands relate to our proprietary brand portfolios acquired from the Cheminova acquisition.

At March 31, 2018, the finite-lived and indefinite-lived intangibles were allocated among our business segments as follows:

(in Millions)	Finite-lived	Indefinite-lived
FMC Agricultural Solutions	$ 1,124.0	$ 1,680.2
FMC Lithium	1.0	—
Total	$ 1,125.0	$ 1,680.2

	Three Months Ended March 31,	
(in Millions)	2018	2017
Amortization expense	$13.5	$5.1

The full year estimated pre-tax amortization expense for the year ended December 31, 2018 and each of the succeeding five years is $63.1 million, $62.9 million, $62.7 million, $62.6 million, $62.6 million, and $62.5 million, respectively.

Note 6: Receivables
The following table displays a roll forward of the allowance for doubtful trade receivables.

(in Millions)	
Balance, December 31, 2016	$17.6
Additions - charged to expense	8.4
Transfer from (to) allowance for credit losses (see below)	9.5
Net recoveries, write-offs and other	3.2
Balance, December 31, 2017	$38.7
Additions - charged to expense	6.1
Transfer from (to) allowance for credit losses (see below)	(1.1)
Net recoveries, write-offs and other	0.3
Balance, March 31, 2018	$44.0

The Company has non-current receivables that represent long-term customer receivable balances related to past due accounts which are not expected to be collected within the current year. The net long-term customer receivables were $118.3 million as of March 31, 2018. These long-term customer receivable balances and the corresponding allowance are included in "Other assets" on the condensed consolidated balance sheet.

A portion of these long-term receivables have payment contracts. We have no reason to believe payments will not be made based upon the credit quality of these customers. Additionally, we also hold significant collateral against these customers including rights to property or other assets as a form of credit guarantee. If the customer does not pay or gives indication that they will not pay, these guarantees allow us to start legal action to block the sale of the customer's harvest. On an ongoing basis, we continue to evaluate the credit quality of our non-current receivables using aging of receivables, collection experience and write-offs, as well as evaluating existing economic conditions, to determine if an additional allowance is necessary.

The following table displays a roll forward of the allowance for credit losses related to long-term customer receivables.

(in Millions)	
Balance, December 31, 2016	$49.1
Additions - charged to expense	13.7
Transfer from (to) allowance for doubtful accounts (see above)	(9.5)
Net recoveries, write-offs and other	(6.2)
Balance, December 31, 2017	$47.1
Additions - charged to expense	6.4
Transfer from (to) allowance for doubtful accounts (see above)	1.1
Net recoveries, write-offs and other	(0.9)
Balance, March 31, 2018	$53.7

Note 7: Inventories

Inventories consisted of the following:

(in Millions)	March 31, 2018	December 31, 2017
Finished goods	$457.8	$ 353.7
Work in process	456.1	542.4
Raw materials, supplies and other	250.0	224.1
First-in, first-out inventory	$1,163.9	$ 1,120.2
Less: Excess of first-in, first-out cost over last-in, first-out cost	(128.7)	(127.7)
Net inventories	$1,035.2	$ 992.5

Note 8: Property, Plant and Equipment

Property, plant and equipment consisted of the following:

(in Millions)	March 31, 2018	December 31, 2017
Property, plant and equipment	$1,490.7	$ 1,461.1
Accumulated depreciation	(460.3)	(435.9)
Property, plant and equipment, net	$1,030.4	$ 1,025.2

Note 9: Restructuring and Other Charges (Income)

Our restructuring and other charges (income) are comprised of restructuring, asset disposals and other charges (income) as noted below.

	Three Months Ended March 31,	
(in Millions)	2018	2017

Restructuring charges and asset disposals	$4.7	$—
Other charges (income), net	(82.4)	8.3
Total restructuring and other charges (income)	$(77.7)	$8.3

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

Restructuring charges and asset disposals

For detail on restructuring activities which commenced prior to 2018, see Note 7 to our consolidated financial statements included with our 2017 Form 10-K. There were no restructuring charges or asset disposal activities in our continuing operations for the three months ended March 31, 2017.

	Restructuring Charges			
(in Millions)	Severance and Employee Benefits (1)	Other Charges (Income) (2)	Asset Disposal Charges (2)	Total
DuPont Crop restructuring	$—	$ —	$ 1.0	$ 1.0
Lithium Restructuring	—	1.9	0.2	2.1
Other items	—	1.6	—	1.6
Three Months Ended March 31, 2018	$—	$ 3.5	$ 1.2	$ 4.7

____

(1) Represents severance and employee benefit charges. Income represents adjustments to previously recorded severance and employee benefits.

(2) Primarily represents accelerated depreciation and impairment charges on long-lived assets, which were or are to be abandoned. To the extent incurred the acceleration effect of re-estimating settlement dates and revised cost estimates associated with asset retirement obligations due to facility shutdowns are also included within the asset disposal charges.

2018 Restructuring Activities

DuPont Crop Restructuring

In 2017, we completed the acquisition of the DuPont Crop Protection Business. See Note 4 for more details. As part of the integration of the DuPont Crop Protection Business into our existing FMC Agricultural Solutions segment we expect to engage in various restructuring activities. These restructuring activities may include workforce reductions, relocation of current operating locations, lease and other contract termination costs and fixed asset accelerated depreciation as well as other asset disposal charges at several of our FMC Agricultural Solutions' operations.

As part of the DuPont Crop Protection Business Acquisition, we acquired the Stine R&D facilities ("Stine") from DuPont. Due to its proximity to our previously existing Ewing R&D center ("Ewing"), in March 2018, we decided to migrate our Ewing R&D activities and employees into the newly acquired Stine facilities. As a result of this decision, we are accelerating the depreciation of certain fixed assets that will no longer be used when we exit the facility. We incurred $1.0 million in the first quarter of 2018, and expect to incur approximately $15 million in total accelerated depreciation charges during 2018. We expect to exit the facility by the end of the third quarter of 2018 and may recognize other exit costs during that time period.

Lithium Restructuring

In 2018, we implemented a formal plan to restructure our operations at the FMC Lithium manufacturing site located in Bessemer City, North Carolina. The objective of this restructuring plan was to optimize both the assets and cost structure by reducing certain production lines at the plant. The restructuring decision resulted in primarily shutdown costs which are reflected in the table above.

Roll forward of restructuring reserves

The following table shows a roll forward of restructuring reserves, continuing and discontinued, that will result in cash spending. These amounts exclude asset retirement obligations.

(in Millions)	Balance at 12/31/17 (2)	Change in reserves (3)	Cash payments	Other	Balance at 3/31/18 (2)
Cheminova restructuring	$ 1.2	$ —	$ (1.2)	$—	$ —
Lithium Restructuring	3.0	1.9	(0.2)	0.1	4.8
Other workforce related and facility shutdowns (1)	2.3	1.6	(3.2)	(0.7)	—
Total	$ 6.5	$ 3.5	$ (4.6)	$(0.6)	$ 4.8

____

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

(1) Primarily severance costs related to workforce reductions and facility shutdowns.
(2) Included in "Accrued and other liabilities" on the condensed consolidated balance sheets.
(3) Primarily severance, exited lease, contract termination and other miscellaneous exit costs. Any accelerated depreciation and impairment charges noted above that impacted our property, plant and equipment balances or other long-term assets are not included in the above tables.

Other charges (income), net

(in Millions)	Three Months Ended March 31, 2018	2017
Environmental charges, net	$2.6	$2.3
European herbicide portfolio sale	(85.0)	—
Other items, net	—	6.0
Other charges (income), net	$(82.4)	$8.3

Environmental charges, net
Environmental charges represent the net charges associated with environmental remediation at continuing operating sites. See Note 12 for additional details.

European Herbicide Portfolio Sale
On February 1, 2018, we sold a portion of our European herbicide portfolio to Nufarm Limited. Refer to Note 4 for more information. The gain on sale is recorded within "Restructuring and other charges (income)" on the condensed consolidated statements of income (loss). Proceeds from this sale is included in "Other investing activities" on the condensed consolidated statements of cash flows.

Other items, net
Other items, net for the three months ended March 31, 2017 primarily relate to exit costs resulting from the termination and deconsolidation of our interest in a variable interest entity that was previously consolidated and was part of our FMC Agricultural Solutions segment.

Note 10: Debt
Debt maturing within one year:

(in Millions)	March 31, 2018	December 31, 2017
Short-term foreign debt (1)	$ 43.8	$ 91.4
Commercial paper (2)	184.4	—
Total short-term debt	$ 228.2	$ 91.4
Current portion of long-term debt	100.7	101.2
Short-term debt and current portion of long-term debt	$ 328.9	$ 192.6

(1) At March 31, 2018, the average interest rate on the borrowings was 7.9%.
(2) At March 31, 2018, the average effective interest rate on the borrowings was 2.5%.

Long-term debt:

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

(in Millions)	March 31, 2018 Interest Rate Percentage	Maturity Date	March 31, 2018	December 31, 2017
Pollution control and industrial revenue bonds (less unamortized discounts of $0.2 and $0.2, respectively)	1.9 - 6.5%	2021 - 2032	$51.6	$ 51.6
Senior notes (less unamortized discount of $1.0 and $1.1, respectively)	3.95 - 5.2%	2019 - 2024	999.0	998.9
2014 Term Loan Facility	3.1%	2020	450.0	450.0
2017 Term Loan Facility	3.1%	2022	1,500.0	1,500.0
Revolving Credit Facility (1)	4.4%	2022	—	—
Foreign debt	0 - 10.8%	2018 - 2024	105.6	106.9
Debt issuance cost			(12.3)	(13.2)
Total long-term debt			$3,093.9	$ 3,094.2
Less: debt maturing within one year			100.7	101.2
Total long-term debt, less current portion			$2,993.2	$ 2,993.0

---

(1) Letters of credit outstanding under our Revolving Credit Facility totaled $157.5 million and available funds under this facility were $1,158.0 million at March 31, 2018.

Covenants

Among other restrictions, our Revolving Credit Facility and both 2014 and 2017 Term Loan Facilities contain financial covenants applicable to FMC and its consolidated subsidiaries related to leverage (measured as the ratio of debt to adjusted earnings) and interest coverage (measured as the ratio of adjusted earnings to interest expense). Our actual leverage for the four consecutive quarters ended March 31, 2018 was 2.8, which is below the maximum leverage of 4.75 at March 31, 2018. Our actual interest coverage for the four consecutive quarters ended March 31, 2018 was 11.5, which is above the minimum interest coverage of 3.5. We were in compliance with all covenants at March 31, 2018.

Note 11: Discontinued Operations

FMC Health and Nutrition:

On August 1, 2017, we completed the sale of the Omega-3 business to Pelagia AS for $38 million.

On November 1, 2017, we completed the previously disclosed sale of our FMC Health and Nutrition business to DuPont. The sale resulted in a gain of approximately $918 million ($727 million, net of tax). During the three months ended March 31, 2018, we recorded an additional gain on sale of $16 million, net of tax as a result of the final working capital settlement. In connection with the sale, we entered into a customary transitional services agreement with DuPont to provide for the orderly separation and transition of various functions and processes. These services will be provided by us to DuPont for up to 24 months after closing, with an optional six months extension. These services include information technology services, accounting, human resource and facility services among other services, while DuPont assumes the operations of FMC Health and Nutrition.

As discussed in Note 4, certain sites will be transferred at a later date due to various local timing constraints. The results of our discontinued FMC Health and Nutrition operations are summarized below, including the results of these delayed sites included in the three months ended March 31, 2018:

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

(in Millions)	Three Months Ended March 31, 2018	2017
Revenue	$2.9	$176.7
Costs of sales and services	2.8	111.4
Income (loss) from discontinued operations before income taxes [(1)]	$(3.1)	$35.5
Provision (benefit) for income taxes	(0.6)	26.7
Total discontinued operations of FMC Health and Nutrition, net of income taxes, before divestiture related costs and adjustments [(2)]	$(2.5)	$8.8
Adjustment to gain on sale of FMC Health and Nutrition, net of income taxes	16.2	—
Divestiture related costs of discontinued operations of FMC Health and Nutrition, net of income taxes	(0.5)	(6.2)
Adjustment to FMC Health and Nutrition Omega-3 net assets held for sale, net of income taxes [(3)]	—	(164.7)
Discontinued operations of FMC Health and Nutrition, net of income taxes	$13.2	$(162.1)
Less: Discontinued operations of FMC Health and Nutrition attributable to noncontrolling interests	—	(0.1)
Discontinued operations of FMC Health and Nutrition, net of income taxes, attributable to FMC Stockholders	$13.2	$(162.0)

(1) For the three months ended March 31, 2017, amounts include $5.0 million of allocated interest expense, $1.8 million of restructuring and other charges (income), and $3.9 million of a pension curtailment charge, respectively. See Note 15 for more information of the pension curtailment charge. Interest was allocated in accordance with relevant discontinued operations accounting guidance.

(2) In accordance with US GAAP, effective March 2017 we stopped amortizing and depreciating all assets classified as held for sale. Assets held for sale under U.S. GAAP are required to be reported at the lower of carrying value or fair value, less costs to sell. However, the fair value of the Omega-3 business, which was previously part of the broader FMC Health and Nutrition reporting unit, was significantly less than its carrying value, which included accumulated foreign currency translation adjustments that were subsequently reclassified to earnings after completion of the sale.

(3) Represents the impairment charge for the three months ended March 31, 2017 of approximately $168 million ($148 million, net of tax) associated with the disposal activities of the Omega-3 business to write down the carrying value to its fair value.

The following table presents the major classes of assets and liabilities of FMC Health and Nutrition:

(in Millions)	March 31, 2018	December 31, 2017
Assets		
Current assets of discontinued operations held for sale [(1)]	$ 6.5	$ 7.2
Property, plant & equipment	—	0.1
Total assets of discontinued operations held for sale [(2)]	$ 6.5	$ 7.3
Liabilities		
Current liabilities of discontinued operations held for sale	$ (0.2)	$ (1.3)
Total liabilities of discontinued operations held for sale [(3)]	(0.2)	(1.3)
Total net assets [(4)]	$ 6.3	$ 6.0

(1) Primarily consists of trade receivables and inventories.

(2) Presented as "Current assets of discontinued operations held for sale" on the condensed consolidated balance sheets as of March 31, 2018 and December 31, 2017.

(3) Presented as "Current liabilities of discontinued operations held for sale" on the condensed consolidated balance sheets as of March 31, 2018 and December 31, 2017.

(4) In connection with the divestiture of FMC Health and Nutrition, certain sites will transfer to DuPont subsequent to November 1, 2017 due to various local timing constraints. Amounts represent the net assets of FMC Health and Nutrition that will be transferred to DuPont subsequent to the closing date.

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

Discontinued operations include the results of the FMC Health and Nutrition segment as well as provisions, net of recoveries, for environmental liabilities and legal reserves and expenses related to previously discontinued operations and retained liabilities. The primary liabilities retained include environmental liabilities, other postretirement benefit liabilities, self-insurance, long-term obligations related to legal proceedings and historical restructuring activities.

Our discontinued operations comprised the following:

(in Millions)	Three Months Ended March 31, 2018	2017
Adjustment for workers' compensation, product liability, other postretirement benefits and other, net of income tax benefit (expense) of ($1.0) and $1.3 for the three months ended March 31, 2018 and 2017, respectively	$3.6	$(0.4)
Provision for environmental liabilities, net of recoveries, net of income tax benefit of $0.5 and $1.0 for the three months ended March 31, 2018 and 2017, respectively [1]	(3.2)	(2.8)
Provision for legal reserves and expenses, net of recoveries, net of income tax benefit (expense) of $1.8 and $1.9 for the three months ended March 31, 2018 and 2017, respectively	(7.1)	(3.5)
Discontinued operations of FMC Health and Nutrition, net of income tax benefit (expense) of ($2.6) and ($5.1) for the three months ended March 31, 2018 and 2017, respectively	13.2	(162.1)
Discontinued operations, net of income taxes	$6.5	$(168.8)

(1) See a roll forward of our environmental reserves as well as discussion on significant environmental issues that occurred during 2018 in Note 12.

Note 12: Environmental Obligations

We have reserves for potential environmental obligations which management considers probable and which management can reasonably estimate. The table below is a roll forward of our total environmental reserves, continuing and discontinued:

(in Millions)	Gross	Recoveries [3]	Net
Total environmental reserves at December 31, 2017	$432.1	$ (13.9)	$418.2
Provision (Benefit)	6.3	—	6.3
(Spending) Recoveries	(6.5)	—	(6.5)
Foreign currency translation adjustments	2.4	—	2.4
Net change	$2.2	$ —	$2.2
Total environmental reserves at March 31, 2018	$434.3	$ (13.9)	$420.4
Environmental reserves, current [1]	$85.0	$ (1.6)	$83.4
Environmental reserves, long-term [2]	349.3	(12.3)	337.0
Total environmental reserves at March 31, 2018	$434.3	$ (13.9)	$420.4

(1) These amounts are included within "Accrued and other liabilities" on the condensed consolidated balance sheets.

(2) These amounts are included in "Environmental liabilities, continuing and discontinued" on the condensed consolidated balance sheets.

(3)

These recorded recoveries represent probable realization of claims against U.S. government agencies and are recorded as an offset to our environmental reserves in the condensed consolidated balance sheets.

The estimated reasonably possible environmental loss contingencies, net of expected recoveries, exceed amounts accrued by approximately $200 million at March 31, 2018. This reasonably possible estimate is based upon information available as of the date of the filing but the actual future losses may be higher given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of potentially responsible parties, technology and information related to individual sites. Potential environmental obligations that have not been reserved may be material to any one quarter's or year's results of operations in the

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

future. However, we believe any such liability arising from such potential environmental obligations is not likely to have a material adverse effect on our liquidity or financial condition as it may be satisfied over many years.
The table below provides a roll forward of our environmental recoveries representing probable realization of claims against insurance carriers and other third parties. These recoveries are recorded as "Other assets including long-term receivables, net" in the condensed consolidated balance sheets.

(in Millions)	12/31/2017	Increase in recoveries	Cash received	3/31/2018
Environmental recoveries	$ 32.3	—	(0.8)	$ 31.5

Our net environmental provisions relate to costs for the continued cleanup of both continuing and discontinued manufacturing operations from previous years. The net provisions are comprised as follows:

	Three Months Ended March 31,	
(in Millions)	2018	2017
Environmental provisions, net - recorded to liabilities (1)	$6.3	$6.1
Environmental provisions, net - recorded to assets (2)	—	—
Environmental provision, net	$6.3	$6.1
Continuing operations (3)	$2.6	$3.8
Discontinued operations (4)	3.7	2.3
Environmental provision, net	$6.3	$6.1

____

(1) See above roll forward of our total environmental reserves as presented on the condensed consolidated balance sheets.

(2) See above roll forward of our total environmental recoveries as presented on the condensed consolidated balance sheets.

(3) Recorded as a component of “Restructuring and other charges (income)” on the condensed consolidated statements of income (loss). See Note 9. Environmental obligations for continuing operations primarily represent obligations at shut down or abandoned facilities within businesses that do not meet the criteria for presentation as discontinued operations.

(4) Recorded as a component of “Discontinued operations, net of income taxes" on the condensed consolidated statements of income (loss). See Note 11.

A more complete description of our environmental contingencies and the nature of our potential obligations are included in Notes 1 and 10 to our consolidated financial statements in our 2017 Form 10-K. See Note 10 to our consolidated financial statements in our 2017 Form 10-K for a description of significant updates to material environmental sites. There have been no significant updates since the information included in our 2017 Form 10-K other than the update provided below.

Middleport
Middleport Litigation
In the federal court action before the United States District Court for the Western District of New York, FMC responded to the Court’s dismissal of FMC’s action by filing a Motion to Vacate Judgment and For Leave to Amend Complaint on March 2, 2017. The purpose of this motion is to allow FMC to amend its Complaint to add a citizen’s

suit under RCRA against the United States for the Environmental Protection Agency's ("EPA") failure to perform its non-discretionary duties under the 1991 Administrative Order on Consent ("AOC"). Simultaneously, FMC served the EPA with a 60-day notice letter, which is a procedural precursor to filing the citizen’s suit complaint.

Oral argument in the New York State Department of Environmental Conservation ("NYSDEC") appeal of the Appellate Division decision was held on March 21, 2018. On May 1, 2018, the Court issued its opinion reversing the Appellate Division’s decision and holding that NYSDEC has the authority to unilaterally spend state superfund money to cleanup sites.

Any additional impact to the reserves due to the Court of Appeals' decision is not reasonably estimable at this time. Our reserves continue to reflect amounts for this matter that are probable and reasonably estimable. However, we do not believe any additional impact will have a material effect on our consolidated financial position or liquidity.

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

Note 13: Earnings Per Share

Earnings per common share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding during the period on a basic and diluted basis.

Our potentially dilutive securities include potential common shares related to our stock options, restricted stock and restricted stock units. Diluted earnings per share ("Diluted EPS") considers the impact of potentially dilutive securities except in periods in which there is a loss from continuing operations because the inclusion of the potential common shares would have an antidilutive effect. Diluted EPS excludes the impact of potential common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our common stock for the period. For the three months ended March 31, 2018 and 2017, there were 0.2 million and 0.7 million potential common shares excluded from Diluted EPS, respectively.

Our non-vested restricted stock awards contain rights to receive non-forfeitable dividends, and thus, are participating securities requiring the two-class method of computing EPS. The two-class method determines EPS by dividing the sum of distributed earnings to common stockholders and undistributed earnings allocated to common stockholders by the weighted average number of shares of common stock outstanding for the period. In calculating the two-class method, undistributed earnings are allocated to both common shares and participating securities based on the weighted average number of shares outstanding during the period.

Earnings applicable to common stock and common stock shares used in the calculation of basic and diluted earnings per share are as follows:

(in Millions, Except Share and Per Share Data)	Three Months Ended March 31, 2018	2017
Earnings (loss) attributable to FMC stockholders:		
Continuing operations, net of income taxes	$260.7	$44.5
Discontinued operations, net of income taxes	6.5	(168.7)
Net income (loss) attributable to FMC stockholders	$267.2	$(124.2)
Less: Distributed and undistributed earnings allocable to restricted award holders	(1.1)	(0.2)
Net income (loss) allocable to common stockholders	$266.1	$(124.4)
Basic earnings (loss) per common share attributable to FMC stockholders:		
Continuing operations	$1.93	$0.33
Discontinued operations	0.05	(1.26)
Net income (loss) attributable to FMC stockholders	$1.98	$(0.93)
Diluted earnings (loss) per common share attributable to FMC stockholders:		
Continuing operations	$1.91	$0.33
Discontinued operations	0.05	(1.25)
Net income (loss) attributable to FMC stockholders	$1.96	$(0.92)
Shares (in thousands):		
Weighted average number of shares of common stock outstanding - Basic	134,589	133,966
Weighted average additional shares assuming conversion of potential common shares	1,568	1,116
Shares – diluted basis	136,157	135,082

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

Note 14: Equity
The table provides a roll forward of equity, equity attributable to FMC stockholders, and equity attributable to noncontrolling interests.

(in Millions, Except Per Share Data)	FMC Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2017	$ 2,681.8	$ 25.3	$ 2,707.1
Net income (loss)	267.2	2.4	269.6
Stock compensation plans	10.2	—	10.2
Net pension and other benefit actuarial gains (losses) and prior service costs, net of income tax [(1)]	3.6	—	3.6
Net hedging gains (losses) and other, net of income tax [(1)]	1.9	—	1.9
Foreign currency translation adjustments [(1)]	49.3	0.4	49.7
Dividends ($0.165 per share)	(22.3)	—	(22.3)
Repurchases of common stock	(5.1)	—	(5.1)
Balance at March 31, 2018	$ 2,986.6	$ 28.1	$ 3,014.7

____
(1) See condensed consolidated statements of comprehensive income (loss).

Accumulated other comprehensive income (loss)
Summarized below is the roll forward of accumulated other comprehensive income (loss), net of tax.

(in Millions)	Foreign currency adjustments	Derivative Instruments [(1)]	Pension and other postretirement benefits [(2)]	Total
Accumulated other comprehensive income (loss), net of tax at December 31, 2017	$ (6.2)	$ 5.2	$ (239.3)	$ (240.3)
2018 Activity				
Other comprehensive income (loss) before reclassifications [(3)]	49.3	1.5	0.6	51.4
Amounts reclassified from accumulated other comprehensive income (loss)	—	0.4	3.0	3.4
Accumulated other comprehensive income (loss), net of tax at March 31, 2018	$ 43.1	$ 7.1	$ (235.7)	$ (185.5)

(in Millions)	Foreign currency adjustments	Derivative Instruments [(1)]	Pension and other postretirement benefits [(2)]	Total
Accumulated other comprehensive income (loss), net of tax at December 31, 2016	$ (194.0)	$ 7.1	$ (291.5)	$ (478.4)
2017 Activity				
Other comprehensive income (loss) before reclassifications [(3)]	43.0	1.1	4.4	48.5
Amounts reclassified from accumulated other comprehensive income (loss)	—	(0.5)	4.9	4.4
Accumulated other comprehensive income (loss), net of tax at March 31, 2017	$ (151.0)	$ 7.7	$ (282.2)	$ (425.5)

____

(1) See Note 17 for more information.
(2) See Note 15 for more information.
(3) Excludes foreign currency translation adjustments attributable to noncontrolling interests.

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

Reclassifications of accumulated other comprehensive income (loss)
The table below provides details about the reclassifications from accumulated other comprehensive income (loss) and the affected line items in the condensed consolidated statements of income (loss) for each of the periods presented.

Details about Accumulated Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) [1] Three Months Ended March 31,		Affected Line Item in the Condensed Consolidated Statements of Income (Loss)
(in Millions)	2018	2017	
Derivative instruments			
Foreign currency contracts	$ (1.9)	$ (2.5)	Costs of sales and services
Energy contracts	—	0.9	Costs of sales and services
Foreign currency contracts	1.4	2.3	Selling, general and administrative expenses
Total before tax	$ (0.5)	$ 0.7	
	0.1	(0.2)	Provision for income taxes
Amount included in net income (loss)	$ (0.4)	$ 0.5	
Pension and other postretirement benefits [2]			
Amortization of prior service costs	$ (0.1)	$ (0.2)	Selling, general and administrative expenses
Amortization of unrecognized net actuarial and other gains (losses)	(3.6)	(3.4)	Selling, general and administrative expenses
Recognized loss due to curtailment and settlement	(0.9)	(3.9)	Selling, general and administrative expenses [3]
Total before tax	$ (4.6)	$ (7.5)	
	1.6	2.6	Provision for income taxes
Amount included in net income (loss)	$ (3.0)	$ (4.9)	
Total reclassifications for the period	$ (3.4)	$ (4.4)	Amount included in net income

(1) Amounts in parentheses indicate charges to the condensed consolidated statements of income (loss).
(2) Pension and other postretirement benefits amounts include the impact from both continuing and discontinued operations. For detail on the continuing operations components of pension and other postretirement benefits, see Note 15.
(3) The loss due to curtailment for the three months ended March 31, 2017 related to the disposal of FMC Health and Nutrition was recorded to "Discontinued operations, net of income taxes" on the condensed consolidated statements of income (loss).

Dividends and Share Repurchases
For both the three months ended March 31, 2018 and 2017, we paid dividends of $22.3 million and $22.1 million, respectively. On April 19, 2018, we paid dividends totaling $22.3 million to our shareholders of record as of March 29, 2018. This amount is included in “Accrued and other liabilities” on the condensed consolidated balance sheet

as of March 31, 2018.

During the three months ended March 31, 2018, no shares were repurchased under the publicly announced repurchase program. At March 31, 2018, $238.8 million remained unused under our Board-authorized repurchase program. This repurchase program does not include a specific timetable or price targets and may be suspended or terminated at any time. Shares may be purchased through open market or privately negotiated transactions at the discretion of management based on its evaluation of market conditions and other factors. We also reacquire shares from time to time from employees in connection with the vesting, exercise and forfeiture of awards under our equity compensation plans.

Note 15: Pensions and Other Postretirement Benefits
The following table summarizes the components of net annual benefit cost (income):

	Three Months Ended March 31,			
(in Millions)	Pensions		Other Benefits	
	2018	2017	2018	2017
Service cost	$1.7	$2.1	$—	$—
Interest cost	11.4	11.4	0.1	0.2
Expected return on plan assets	(15.8)	(19.9)	—	—
Amortization of prior service cost (credit)	0.1	0.2	—	—
Recognized net actuarial and other (gain) loss	4.1	4.0	(0.2)	(0.3)
Recognized loss due to settlement [1]	0.9	—	—	—
Net periodic benefit cost (income)	$2.4	$(2.2)	$(0.1)	$(0.1)

(1) Settlement charge relates to the U.S. nonqualified defined benefit pension plan.

In the three months ended March 31, 2017 we recognized a curtailment loss of $3.9 million associated with the expected disposal of our FMC Health and Nutrition business, which was recorded within "Discontinued operations, net of income taxes" within the condensed consolidated statements of income (loss).
We did not make any voluntary cash contributions to our U.S. defined benefit pension plan in the three months ended March 31, 2018. We expect to make approximately $30 million in voluntary cash contributions to our U.S. defined benefit pension plan during 2018.

Note 16: Income Taxes
On December 22, 2017, the Tax Cuts and Jobs Act (“the Act”) was enacted in the United States. The Act significantly revised the U.S. corporate income tax structure resulting in changes to the Company’s expected U.S. corporate taxes due for 2017 and in future periods. Effective January 1, 2018, the Act, among other things, reduces the U.S. federal corporate tax rate from 35% to 21%, creates new provisions related to foreign sourced earnings, and eliminates the deduction for domestic production activities. The Act also requires companies to pay a one-time transition tax on the cumulative earnings and profits of certain foreign subsidiaries that were previously not repatriated and therefore not taxed for U.S. income tax purposes. Taxes due on the one-time transition tax are payable as of December 31, 2017 and may be paid to the tax authority over eight years.
In December 2017, the SEC issued Staff Accounting Bulletin No. 118 (“SAB 118”), which addresses situations where the accounting is incomplete for the income tax effects of the Act. SAB 118 directs taxpayers to consider the impact of the Act as “provisional” when the Company does not have the necessary information available, prepared or analyzed (including computations) to finalize the accounting for the change in tax law. Companies are provided a measurement period of up to one year to obtain, prepare, and analyze information necessary to finalize the accounting for provisional amounts or amounts that cannot be estimated as of December 31, 2017. As of March 31, 2018, we had not completed our accounting for the tax effects of enactment of the Act, however, we have made a reasonable estimate of the effects on our existing deferred tax balances and the one-time transition tax. For the period ending December 31,

2017, we recognized a provisional amount of $315.9 million as our reasonable estimate of the impact of the provisions of the Act, which was included as a component of income tax expense in our consolidated financial statements. The $315.9 million is comprised of an increase to tax expense of $202.7 million for the net transition tax to be paid over eight years and $113.2 million of additional tax expense from the remeasurement of our U.S. net deferred tax assets. During the three months ended March 31, 2018, we recorded an adjustment to our provisional tax expense of $0.8 million of income tax expense pertaining to a change in the estimated impact of the remeasurement of the Company's U.S. net deferred tax assets. We will continue to refine our calculations as additional analysis is completed related to the Act. Additional information that may affect our provisional amounts would include further clarification and guidance on how the IRS will implement tax reform, including guidance with respect to executive compensation and transition tax, further clarification and guidance on how state taxing authorities will implement tax reform and the related effect on our state income tax returns, completion of our 2017 tax return filings, and the potential for additional guidance from the SEC or the FASB related to tax reform. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in 2018.

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

We determine our interim tax provision using an Estimated Annual Effective Tax Rate methodology ("EAETR") in accordance with GAAP. The EAETR is applied to the year-to-date ordinary income, exclusive of discrete items. The tax effects of discrete items are then included to arrive at the total reported interim tax provision.
The determination of the EAETR is based upon a number of estimates, including the estimated annual pretax ordinary income in each tax jurisdiction in which we operate. As our projections of ordinary income change throughout the year, the EAETR will change period-to-period. The tax effects of discrete items are recognized in the tax provision in the period they occur in accordance with GAAP. Depending on various factors, such as the item's significance in relation to total income and the rate of tax applicable in the jurisdiction to which it relates, discrete items in any quarter can materially impact the reported effective tax rate. As a global enterprise, our tax expense can be impacted by changes in tax rates or laws, the finalization of tax audits and reviews, as well as other factors. As a result, there can be significant volatility in interim tax provisions.
The below chart provides a reconciliation between our reported effective tax rate and the EAETR of our continuing operations.

	Three Months Ended March 31,					
	2018			2017		
(in Millions)	Before Tax	Tax	Effective Tax Rate %	Before Tax	Tax	Effective Tax Rate %
Continuing operations	$331.8	$68.7	20.7 %	$54.4	$9.4	17.3 %
Discrete items:						
Acquisition-related charges (1)	$2.7	$0.6		$9.2	$2.6	
Currency remeasurement (2)	0.5	0.9		5.1	2.6	
Other discrete items (3)	(51.5)	(17.7)		38.1	2.1	
Tax only discrete items (4)	—	(7.4)		—	(4.0)	
Total discrete items	$(48.3)	$(23.6)		$52.4	$3.3	
Continuing operations, before discrete items	$283.5	$45.1		$106.8	$12.7	
Estimated Annualized Effective Tax Rate (EAETR) (5)			15.9 %			11.9 %

(1) See Note 4 for more information on transaction-related charges.

(2) Represents transaction gains or losses for currency remeasurement offset by associated hedge gains or losses, which are accounted for discretely in accordance with GAAP. Certain transaction gains or losses for currency remeasurement are not taxable, while offsetting hedge gains or losses are taxable.

(3) GAAP generally requires subsidiaries for which a full valuation allowance has been provided to be excluded from the EAETR. For the three months ended March 31, 2018, other discrete items represent the gain attributable to the sale of a portion of FMC's European herbicide portfolio to Nufarm Limited partially offset by the discrete accounting for excluded pretax losses of subsidiaries for which a full valuation allowance has been provided. See Note 4 for additional information on the Company's Nufarm divestment. For the three months ended March 31, 2017, the other discrete items component of the EAETR reconciliation primarily relates to the discrete accounting for the excluded pretax losses of subsidiaries for which a full valuation allowance has been provided.

(4) For the three months ended March 31, 2018, tax only discrete items are comprised of the tax effect of currency remeasurement associated with foreign statutory operations, changes in realizability of certain deferred tax assets, and changes to our provisional income tax expense associated with the enactment of the Act. For the three months ended March 31, 2017, this component was comprised primarily of the tax effect of changes in valuation allowances of historical deferred tax assets.

(5) The primary drivers for the increase in the first quarter effective tax rate for 2018 as compared to 2017 are shown in the table above. The remaining change was due to the integration of the DuPont Crop Protection Business into

our global supply chain as well as the effect of the global intangible low-taxed income (GILTI) provisions of the Act.

Note 17: Financial Instruments, Risk Management and Fair-Value Measurements

Our financial instruments include cash and cash equivalents, trade receivables, other current assets, certain receivables classified as other long-term assets, accounts payable, and amounts included in investments and accruals meeting the definition of financial instruments. The carrying value of these financial instruments approximates their fair value. Our other financial instruments include the following:

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

Financial Instrument	Valuation Method
Foreign exchange forward contracts	Estimated amounts that would be received or paid to terminate the contracts at the reporting date based on current market prices for applicable currencies.
Commodity forward and option contracts	Estimated amounts that would be received or paid to terminate the contracts at the reporting date based on quoted market prices for applicable commodities.
Debt	Our estimates and information obtained from independent third parties using market data, such as bid/ask spreads for the last business day of the reporting period.

The estimated fair value of the financial instruments in the above table have been determined using standard pricing models which take into account the present value of expected future cash flows discounted to the balance sheet date. These standard pricing models utilize inputs derived from or corroborated by observable market data such as interest rate yield curves and currency and commodity spot and forward rates. In addition, we test a subset of our valuations against valuations received from the transaction's counterparty to validate the accuracy of our standard pricing models. Accordingly, the estimates presented may not be indicative of the amounts that we would realize in a market exchange at settlement date and do not represent potential gains or losses on these agreements. The estimated fair values of foreign exchange forward contracts and commodity forward and option contracts are included in the tables within this Note. The estimated fair value of debt is $3,364.7 million and $3,250.6 million and the carrying amount is $3,322.1 million and $3,185.6 million as of March 31, 2018 and December 31, 2017, respectively.

We enter into various financial instruments with off-balance-sheet risk as part of the normal course of business. These off-balance-sheet instruments include financial guarantees and contractual commitments to extend financial guarantees under letters of credit, and other assistance to customers. See Note 18 for more information. Decisions to extend financial guarantees to customers and the amount of collateral required under these guarantees are based on our evaluation of creditworthiness on a case-by-case basis.

Use of Derivative Financial Instruments to Manage Risk

We mitigate certain financial exposures, including currency risk, commodity purchase exposures and interest rate risk, through a program of risk management that includes the use of derivative financial instruments. We enter into foreign exchange contracts, including forward and purchased options contracts, to reduce the effects of fluctuating foreign currency exchange rates. A detailed description of these risks including a discussion on the concentration of credit risk is provided in Note 17 to our consolidated financial statements on our 2017 Form 10-K.

We formally document all relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes relating derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. We also assess, both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If we determine that a derivative is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, we discontinue hedge accounting with respect to that derivative prospectively.

Accounting for Derivative Instruments and Hedging Activities

Cash Flow Hedges

We recognize all derivatives on the balance sheet at fair value. On the date the derivative instrument is entered into, we generally designate the derivative as a hedge of the variability of cash flows to be received or paid related to a forecasted transaction (cash flow hedge). We record in AOCI changes in the fair value of derivatives that are designated as and meet all the required criteria for a cash flow hedge. We then reclassify these amounts into earnings as the underlying hedged item affects earnings. In contrast, we immediately record in earnings changes in the fair value of derivatives that are not designated as cash flow hedges.

As of March 31, 2018, we had open foreign currency forward contracts in AOCI in a net after tax gain position of $6.1 million designated as cash flow hedges of underlying forecasted sales and purchases. Current open contracts hedge forecasted transactions until December 31, 2018. At March 31, 2018, we had open forward contracts designated as cash flow hedges with various expiration dates to buy, sell or exchange foreign currencies with a U.S. dollar equivalent of approximately $352.6 million.

As of March 31, 2018, we had no open commodity contracts in AOCI designated as cash flow hedges of underlying forecasted purchases. At March 31, 2018, we had zero mmBTUs (millions of British Thermal Units) in aggregate notional volume of outstanding natural gas commodity forward contracts to hedge forecasted purchases.

Approximately all of the $6.1 million net gains after-tax, representing both open foreign currency exchange contracts and commodity contracts, will be realized in earnings during the twelve months ending March 31, 2019 if spot rates in the future are consistent with forward rates as of March 31, 2018. The actual effect on earnings will be dependent on the actual spot rates when

Table of Contents

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

the forecasted transactions occur.

Derivatives Not Designated As Hedging Instruments

We hold certain forward contracts that have not been designated as cash flow hedging instruments for accounting purposes. Contracts used to hedge the exposure to foreign currency fluctuations associated with certain monetary assets and liabilities are not designated as cash flow hedging instruments, and changes in the fair value of these items are recorded in earnings.

We had open forward contracts not designated as cash flow hedging instruments for accounting purposes with various expiration dates to buy, sell or exchange foreign currencies with a U.S. dollar equivalent of approximately $1,628.6 million at March 31, 2018.

Fair-Value of Derivative Instruments

The following tables provide the gross fair value and net balance sheet presentation of our derivative instruments.

	March 31, 2018 Gross Amount of Derivatives				
(in Millions)	Designated as Cash Flow Hedges	Not Designated as Hedging Instruments	Total Gross Amounts	Gross Amounts Offset in the Consolidated Balance Sheet (3)	Net Amounts
Derivatives					
Foreign exchange contracts	$9.0	$ 1.7	$ 10.7	$ (2.9)	$ 7.8
Total derivative assets (1)	$9.0	$ 1.7	$ 10.7	$ (2.9)	$ 7.8
Foreign exchange contracts	$(4.6)	$ —	$ (4.6)	$ 2.9	$ (1.7)
Total derivative liabilities (2)	$(4.6)	$ —	$ (4.6)	$ 2.9	$ (1.7)
Net derivative assets (liabilities)	$4.4	$ 1.7	$ 6.1	$ —	$ 6.1

	December 31, 2017 Gross Amount of Derivatives				
(in Millions)	Designated as Cash Flow Hedges	Not Designated as Hedging Instruments	Total Gross Amounts	Gross Amounts Offset in the Consolidated Balance Sheet (3)	Net Amounts
Derivatives					
Foreign exchange contracts	$7.0	$ 1.2	$8.2	$ (1.5)	$ 6.7
Total derivative assets (1)	$7.0	$ 1.2	$8.2	$ (1.5)	$ 6.7
Foreign exchange contracts	$(3.6)	$ (0.2)	$(3.8)	$ 1.5	$ (2.3)
Total derivative liabilities (2)	$(3.6)	$ (0.2)	$(3.8)	$ 1.5	$ (2.3)
Net derivative assets (liabilities)	$3.4	$ 1.0	$4.4	$ —	$ 4.4

(1) Net balance is included in “Prepaid and other current assets” in the condensed consolidated balance sheets.
(2) Net balance is included in “Accrued and other liabilities” in the condensed consolidated balance sheets.
(3) Represents net derivatives positions subject to master netting arrangements.

The tables below summarize the gains or losses related to our cash flow hedges and derivatives not designated as hedging instruments.
Derivatives in Cash Flow Hedging Relationships

FMC CORPORATION
Notes to Condensed Consolidated Financial Statements (unaudited) — (Continued)

	Three Months Ended March 31,							
	Contracts							
	Foreign Exchange		Energy		Other		Total	
(in Millions)	2018	2017	2018	2017	2018	2017	2018	2017
Unrealized hedging gains (losses) and other, net of tax	$ 1.5	$ 1.9	$ —	$ (0.8)	$ —	$ —	$ 1.5	$ 1.1
Reclassification of deferred hedging (gains) losses, net of tax [(1)]								
Effective portion [(1)]	0.3	0.1						