VIRCO MFG CORPORATION
Form 10-Q
September 12, 2014

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

FORM 10-Q

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended July 31, 2014

OR
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission File number 1-8777

VIRCO MFG. CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	95-1613718
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2027 Harpers Way, Torrance, CA	90501
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (310) 533-0474
No change
Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of 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 ý No ¨
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	¨	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	ý

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
The number of shares outstanding for each of the registrant's classes of common stock, as of the latest practicable date:

Common Stock, $.01 par value — 14,852,640 shares as of September 5, 2014.

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PART I. Financial Information
Item 1. Financial Statements

Virco Mfg. Corporation
Condensed Consolidated Balance Sheets

	7/31/2014	1/31/2014	7/31/2013
	(In thousands, except share data)		
	Unaudited (Note 1)		Unaudited (Note 1)
Assets			
Current assets			
Cash	$1,130	$1,051	$2,443
Trade accounts receivables, net	29,414	8,468	32,088
Other receivables	47	52	107
Income tax receivable	317	290	304
Inventories			
Finished goods, net	20,145	7,237	14,137
Work in process, net	15,161	11,116	12,243
Raw materials and supplies, net	9,977	9,427	10,460
	45,283	27,780	36,840
Deferred tax assets, net	203	203	—
Prepaid expenses and other current assets	1,350	1,795	1,724
Total current assets	77,744	39,639	73,506
Property, plant and equipment			
Land	1,671	1,671	1,671
Land improvements	1,189	1,185	1,213
Buildings and building improvements	47,047	47,271	47,263
Machinery and equipment	113,152	115,667	116,335
Leasehold improvements	1,957	2,328	2,417
	165,016	168,122	168,899
Less accumulated depreciation and amortization	128,970	131,817	132,204
Net property, plant and equipment	36,046	36,305	36,695
Deferred tax assets, net	305	611	1,404
Other assets	6,990	6,789	6,722
Total assets	$121,085	$83,344	$118,327

See accompanying notes.

Virco Mfg. Corporation
Condensed Consolidated Balance Sheets

	7/31/2014	1/31/2014	7/31/2013
	(In thousands, except share data)		
	Unaudited (Note 1)		Unaudited (Note 1)
Liabilities			
Current liabilities			
Accounts payable	$20,382	$12,355	$17,282
Accrued compensation and employee benefits	3,860	3,594	4,143
Current portion of long-term debt	27,545	2,248	22,668
Deferred tax liabilities	—	—	572
Other accrued liabilities	7,293	4,459	8,110
Total current liabilities	59,080	22,656	52,775
Non-current liabilities			
Accrued self-insurance retention	2,020	2,025	2,614
Accrued pension expenses	23,132	23,951	25,763
Income tax payable	37	69	98
Long-term debt, less current portion	6,000	6,000	6,000
Other accrued liabilities	1,092	1,038	1,372
Total non-current liabilities	32,281	33,083	35,847
Commitments and contingencies			
Stockholders' equity			
Preferred stock:			
Authorized 3,000,000 shares, $.01 par value; none issued or outstanding	—	—	—
Common stock:			
Authorized 25,000,000 shares, $.01 par value; issued and outstanding 14,852,640 shares at 7/31/2014 ; and 14,718,414 at 1/31/2014 and 14,730,319 shares at 07/31/2013	148	147	147
Additional paid-in capital	116,105	115,978	115,817
Accumulated deficit	(73,191)	(74,540)	(71,077)
Accumulated other comprehensive loss	(13,338)	(13,980)	(15,182)
Total stockholders' equity	29,724	27,605	29,705
Total liabilities and stockholders' equity	$121,085	$83,344	$118,327

See accompanying notes.

Virco Mfg. Corporation
Condensed Consolidated Statements of Income
Unaudited (Note 1)

	Three months ended	
	7/31/2014	7/31/2013
	(In thousands, except per share data)	
Net sales	$53,192	$56,933
Costs of goods sold	32,346	35,347
Gross profit	20,846	21,586
Selling, general and administrative expenses	14,770	14,417
Restructuring expense	62	412
Interest expense, net	505	472
Income (loss) before income taxes	5,509	6,285
Income tax expense (benefit)	306	75
Net income (loss)	$5,203	$6,210
Net income (loss) per common share:		
Basic	$0.35	$0.43
Diluted	$0.35	$0.42
Weighted average shares outstanding:		
Basic	14,725	14,570
Diluted	14,874	14,647

See accompanying notes.

Virco Mfg. Corporation
Condensed Consolidated Statements of Income
Unaudited (Note 1)

	Six Months Ended	
	7/31/2014	7/31/2013
	(In thousands, except per share data)	
Net sales	$76,722	$76,823
Costs of goods sold	47,699	48,828
Gross profit	29,023	27,995
Selling, general and administrative expenses	26,492	24,919
Restructuring expense	62	475
Interest expense, net	834	800
Income (loss) before income taxes	1,635	1,801
Income tax expense (benefit)	287	38
Net income (loss)	$1,348	$1,763
Net income (loss) per common share:		
Basic	$0.09	$0.12
Diluted	$0.09	$0.12
Weighted average shares outstanding:		
Basic	14,687	14,506
Diluted	14,839	14,591

See accompanying notes.

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Virco Mfg. Corporation
Condensed Consolidated Statements of Comprehensive Income (Loss)
Unaudited (Note 1)

	Three months ended	
	7/31/2014	7/31/2013
	(In thousands)	
Net income (loss)	$5,203	$6,210
Other comprehensive income (loss) :		
Pension adjustments, net of tax	321	402
Comprehensive income (loss)	$5,524	$6,612

See accompanying notes.

Virco Mfg. Corporation
Condensed Consolidated Statements of Comprehensive Income (Loss)
Unaudited (Note 1)

	Six months ended	
	7/31/2014	7/31/2013
	(In thousands)	
Net income (loss)	$1,348	$1,763
Other comprehensive income (loss) :		
Pension adjustments, net of tax	642	804
Comprehensive income (loss)	$1,990	$2,567

See accompanying notes.

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Virco Mfg. Corporation
Condensed Consolidated Statements of Cash Flows
Unaudited (Note 1)

	Six months ended	
	7/31/2014	7/31/2013
	(In thousands)	
Operating activities		
Net income (loss)	$1,348	$1,763
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,168	2,046
Provision for doubtful accounts	60	50
(Gain) loss on sale of property, plant and equipment	—	(13)
Deferred income taxes	275	—
Stock-based compensation	259	275
Pension settlement	—	—
Changes in operating assets and liabilities:		
Trade accounts receivable	(20,978)	(23,304)
Other receivables	5	1
Inventories	(17,504)	(11,523)
Income taxes	(27)	(8)
Prepaid expenses and other assets	244	53
Accounts payable and accrued liabilities	10,966	9,593
Net cash provided by (used in) operating activities	(23,184)	(21,067)
Investing activities		
Capital expenditures	(1,904)	(1,861)
Proceeds from sale of property, plant and equipment	—	19
Net investment in life insurance	—	—
Net cash provided by (used in) investing activities	(1,904)	(1,842)
Financing activities		
Proceeds from long-term debt	33,545	28,851
Repayment of long-term debt	(8,248)	(4,236)
Common stock repurchased	(130)	(116)
Cash dividend paid	—	—
Net cash provided by (used in) financing activities	25,167	24,499
Net increase (decrease) in cash	79	1,590
Cash at beginning of year	1,051	853
Cash at end of year	$1,130	$2,443

See accompanying notes.

VIRCO MFG. CORPORATION
Notes to unaudited Condensed Consolidated Financial Statements
July 31, 2014
Note 1. Basis of Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended July 31, 2014, are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2015. The balance sheet at January 31, 2014, has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2014 ("Form 10-K"). All references to the "Company" refer to Virco Mfg. Corporation and its subsidiaries.
Note 2. Correction of Immaterial Errors
Subsequent to the year ended January 31, 2014, the Company identified certain errors in the condensed consolidated balance sheets and consolidated statements of comprehensive income (loss) for the quarters ended April 30, July 31 and October 31, 2013. The Company previously recorded its quarterly net periodic pension cost as an increase to accrued pension expenses, when a portion of the net periodic pension cost attributed to the recognized net actuarial loss or (gain) should have been recorded as a decrease in the Company's accumulated other comprehensive loss. These errors have no impact on the amounts previously reported in the Company's statements of operations or statements of cash flows. Further, these errors have no impact on its consolidated financial statements as of and for the year ended January 31, 2014.
Management has evaluated the materiality of these errors quantitatively and qualitatively and has concluded that the corrections of these errors are immaterial to the condensed consolidated balance sheets, consolidated statements of comprehensive income (loss), and the financial statements as a whole. Accordingly, the Company has corrected the accompanying condensed consolidated balance sheet and consolidated statement of comprehensive income (loss) for the three and six months ended July 31, 2013, and it intends to revise its condensed consolidated balance sheets and consolidated statements of comprehensive income (loss) for the quarters ended October 31, 2013 through subsequent periodic filings. The effect of recording immaterial corrections in the condensed consolidated balance sheets and consolidated statements of comprehensive income (loss) for the quarters ended July 31 and October 31, 2013 are as follows:

	For the Quarter Ended July 31, 2013		For the Quarter Ended October 31, 2013	
(in thousands)	As Previously Reported	As Corrected	As Previously Reported	As Corrected
Accrued pension expenses	$26,567	$25,763	$26,398	$25,192
Total stockholder's equity	28,901	29,705	33,181	34,387
Net income (loss)	6,210	6,210	3,408	3,408
Comprehensive income (loss)	6,210	6,612	4,208	4,610
Impact for period-to-date comprehensive income (loss)	1,763	2,567	5,971	7,177

Note 3. Seasonality
The market for educational furniture is marked by extreme seasonality, with approximately 50% of the Company's total sales typically occurring from June to August each year, which is the Company's peak season. Hence, the Company typically builds and carries significant amounts of inventory during and in anticipation of this peak summer season to facilitate the rapid delivery requirements of customers in the educational market. This requires a large up-front investment in inventory, labor, storage and related costs as inventory is built in anticipation of peak sales

during the summer months. As the capital required for this build-up generally exceeds cash available from operations, the Company has historically relied on third-party bank

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financing to meet cash flow requirements during the build-up period immediately preceding the peak season. In addition, the Company typically is faced with a large balance of accounts receivable during the peak season. This occurs for two primary reasons. First, accounts receivable balances typically increase during the peak season as shipments of products increase. Second, many customers during this period are government institutions, which tend to pay accounts receivable more slowly than commercial customers.
The Company’s working capital requirements during and in anticipation of the peak summer season require management to make estimates and judgments that affect assets, liabilities, revenues and expenses, and related contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to market demand, labor costs, and stocking inventory.

Note 4. New Accounting Standards

In July 2013, the FASB issued accounting guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, or similar tax loss, or a tax carryforward exists. The Company adopted the guidance effective February 1, 2014, the beginning of the Company's 2014 fiscal year. The guidance did not have a material impact on the Company's financial statements.

In April 2014, the FASB issued accounting guidance which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The guidance will be effective for fiscal years beginning on or after January 31, 2015 and interim periods within those annual periods with early adoption allowed. The Company does not expect the adoption to have a material impact on its financial statements.

In May 2014, the FASB issued a comprehensive new revenue recognition standard which will supersede previous existing revenue recognition guidance. The standard creates a five-step model for revenue recognition that requires companies to exercise judgment when considering contract terms and relevant facts and circumstances. The five-step model includes (1) identifying the contract, (2) identifying the separate performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations and (5) recognizing revenue when each performance obligation has been satisfied. The standard also requires expanded disclosures surrounding revenue recognition. The standard is effective for fiscal periods beginning after December 15, 2016 and allows for either full retrospective or modified retrospective adoption. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Note 5. Inventories
Inventories primarily consist of raw materials, work in progress, and finished goods of manufactured products. In addition, the Company maintains an inventory of finished goods purchased for resale. Inventories are stated at lower of cost or market and consist of materials, labor, and overhead. The Company determines the cost of inventory by the first-in, first-out method. The value of inventory includes any related production overhead costs incurred in bringing the inventory to its present location and condition. The Company records the cost of excess capacity as a period expense, not as a component of capitalized inventory valuation.
Management continually monitors production costs, material costs and inventory levels to determine that interim inventories are fairly stated.
Note 6. Debt
Outstanding balances (in thousands) for the Company’s long-term debt were as follows:

	7/31/2014	1/31/2014	7/31/2013
	(in thousands)		
Revolving credit line	$33,545	$8,248	$28,668
Other	—	—	—
Total debt	33,545	8,248	28,668
Less current portion	27,545	2,248	22,668

Non-current portion	$6,000	$6,000	$6,000

On December 22, 2011 (the Closing Date), the Company entered into a Revolving Credit and Security Agreement (the Credit Agreement) with PNC Bank, National Association, as administrative agent and lender (PNC). On June 15, 2012, the Company entered into Amendment No. 1 (Amendment No. 1) to the Credit Agreement which, among other things, increased the borrowing availability thereunder by $3,000,000 from $6,000,000 to $9,000,000 for the period from May 1 through July 14 of each year. On July 27, 2012, the Company entered into Amendment No. 2 (Amendment No. 2) to the Credit Agreement which, among other things, reduced the minimum EBITDA financial covenant contained therein for the five consecutive months ending June 2012 from $1,600,000 to $300,000. On September 12, 2012, the Company entered into Amendment No. 3 (Amendment No. 3) to the Credit Agreement which, among other things, modified the minimum EBITDA covenant for the balance of the fiscal year. On December 6, 2012, the Company entered into Amendment No. 4 (Amendment No. 4) to the Credit Agreement which, among other things, waived the violation of the minimum EBITDA and minimum tangible net worth covenants at October 31, 2012 and eliminated the minimum EBITDA covenant at November 30, 2012. On March 1, 2013, the Company entered into Amendment No. 5 (Amendment No. 5) to the Credit Agreement, which among other things modified the minimum tangible net worth covenant for the periods from January 31, 2013 to January 31, 2014, modified the minimum EBIDTA covenant for certain periods to January 31, 2014 and waived the violation of the minimum EBITDA covenant for the eleven consecutive fiscal month period ending December 31, 2012. On January 9, 2014, the Company entered into Amendment No. 6 (Amendment No. 6) to the Credit Agreement, which, among other things, amended the definition of “Peak Season” and increased the peak season borrowing capacity. On April 15, 2014, the Company entered into Amendment No. 7 (Amendment No. 7) to the Credit Agreement, which, among other things, extended the maturity date of the Credit Agreement for three years until December 22, 2017, reduced the maximum availability under the Credit Agreement by 10,000,000 from $60,000,000 to $50,000,000, waived the violation of the minimum EBITDA covenant at January 31, 2014, waived the violation of the fixed charge coverage ratio covenant at January 31, 2014, included levels for the minimum tangible net worth financial covenant and a minimum EBITDA financial covenant for fiscal year 2014 and the minimum fixed charge coverage ratio until the maturity date of the Credit Agreement. On August 18, 2014, the Company entered into Amendment No. 8 (Amendment No. 8) to the Credit Agreement which, among other things, extended the draw period under the temporary equipment line.

The Credit Agreement, as amended, provides the Company with a secured revolving line of credit (the Revolving Credit Facility) of up to $50,000,000, with seasonal adjustments to the credit limit and subject to borrowing base limitations, and includes a sub-limit of up to $3,000,000 for issuances of letters of credit. The Revolving Credit Facility is an asset-based line of credit that is subject to a borrowing base limitation and generally provides for advances of up to 85% of eligible accounts receivable, plus a percentage equal to the lesser of 60% of the value of eligible inventory or 85% of the liquidation value of eligible inventory, plus an amount ranging from $8,000,000 to $14,000,000 from January 1 through July 31 of each year, minus undrawn amounts of letters of credit and reserves. The Revolving Credit Facility is secured by substantially all of the Company's personal property and certain of the Company's real property. The principal amount outstanding under the Credit Agreement and any accrued and unpaid interest is due no later than December 22, 2017, and the Revolving Credit Facility is subject to certain prepayment penalties upon earlier termination of the Revolving Credit Facility. Prior to the maturity date, principal amounts outstanding under the Credit Agreement may be repaid and reborrowed at the option of the Company without premium or penalty, subject to borrowing base limitations, seasonal adjustments and certain other conditions.

The Revolving Credit Facility bears interest, at the Company's option, at either the Alternate Base Rate (as defined in the Credit Agreement) or the Eurodollar Currency Rate (as defined in the Credit Agreement), in each case plus an applicable margin. The applicable margin for Alternate Base Rate loans is a percentage within a range of 0.75% to 1.75%, and the applicable margin for Eurodollar Currency Rate loans is a percentage within a range of 1.75% to 2.75%, in each case based on the EBITDA of the Company at the end of each fiscal quarter, and may be increased at PNC's option by 2.0% during the continuance of an event of default. Accrued interest with respect to principal amounts outstanding under the Credit Agreement is payable in arrears on a monthly basis for Alternative Base Rate loans, and at the end of the applicable interest period but at most every three months for Eurodollar Currency Rate loans.

The Credit Agreement contains a covenant that forbids the Company from issuing dividends or making payments with respect to the Company's capital stock, and contains numerous other covenants that limit under certain circumstances the ability of the Company and their subsidiaries to, among other things, merge with or acquire other entities, incur new liens, incur additional indebtedness, repurchase stock, sell assets outside of the ordinary course of business, enter into transactions with affiliates, or substantially change the general nature of the business of the Company, taken as a whole. The Credit Agreement also requires the Company to maintain the following financial maintenance covenants: (1) a minimum tangible net worth amount, (2) a minimum fixed charge coverage ratio, and (3) a minimum EBITDA amount, in each case as of the end of the relevant monthly, quarterly or annual measurement period. As of July 31, 2014 the Credit Agreement required the Company to maintain: (1) a minimum tangible net worth of at least $26,350,000 for the fiscal quarter ending July 31, 2014, (2) a minimum fixed charge coverage ratio of at least 1.00 to 1.00 for the four consecutive fiscal quarters ending January 31, 2015, and (3) a minimum EBITDA amount of $4,420,000 for the six months ended July 31, 2014 and $5,512,000 for the twelve consecutive fiscal months ending January 31, 2015.

In addition, the Credit Agreement contains a clean down provision that requires the Company to reduce borrowings under the line to less than $6,000,000 for a period of 60 consecutive days each fiscal year. The Company believes that normal operating cash flow will allow it to meet the clean down requirement with no adverse impact on the Company's liquidity. The Company was in compliance with its covenants at July 31, 2014.

Events of default (subject to certain cure periods and other limitations) under the Credit Agreement include, but are not limited to, (i) non-payment of principal, interest or other amounts due under the Credit Agreement, (ii) the violation of terms, covenants, representations or warranties in the Credit Agreement or related loan documents, (iii) any event of default under agreements governing certain indebtedness of the Company and certain defaults by the Company under other agreements that would materially adversely affect the Company, (iv) certain events of bankruptcy, insolvency or liquidation involving the Company, (v) judgments or judicial actions against the Company in excess of $250,000, subject to certain conditions, (vi) the failure of the Company to comply with Pension Benefit Plans (as defined in the Credit Agreement), (vii) the invalidity of loan documents pertaining to the Credit Agreement, (viii) a change of control of the Company and (ix) the interruption of operations of any of the Company' manufacturing facilities for five consecutive days during the peak season or fifteen consecutive days during any other time, subject to certain conditions.

Pursuant to the Credit Agreement, substantially all of the Company' accounts receivable are automatically and promptly swept to repay amounts outstanding under the Revolving Credit Facility upon receipt by the Company. Due to this automatic liquidating nature of the Revolving Credit Facility, if the Company breach any covenant, violate any representation or warranty or suffer a deterioration in their ability to borrow pursuant to the borrowing base calculation, the Company may not have access to cash liquidity unless provided by PNC at its discretion. In addition, certain of the covenants and representations and warranties set forth in the Credit Agreement contain limited or no materiality thresholds, and many of the representations and warranties must be true and correct in all material respects upon each borrowing, which the Company expect to occur on an ongoing basis. There can be no assurance that the Company will be able to comply with all such covenants and be able to continue to make such representations and warranties on an ongoing basis.

The Company's line of credit with PNC is structured to provide seasonal credit availability during the Company's peak summer season. The Company believes that the Revolving Credit Facility will provide sufficient liquidity to meet its capital requirements in the next 12 months. Approximately $18,360,000 was available for borrowing as of July 31, 2014.

The descriptions set forth herein of the Credit Agreement, Amendment No. 1, Amendment No. 2, Amendment No. 3, Amendment No. 4, Amendment No. 5, Amendment No. 6, Amendment No. 7 and Amendment No. 8 are qualified in their entirety by the terms of such agreements, each of which has been filed with the Securities and Exchange Commission.

Management believes that the carrying value of debt approximated fair value at July 31, 2014 and 2013, as all of the long-term debt bears interest at variable rates based on prevailing market conditions.

Note 7. Income Taxes

The Company recognizes deferred income taxes under the asset and liability method of accounting for income taxes in accordance with the provisions of ASC No. 740, “Accounting for Income Taxes.” Deferred income taxes are recognized for differences between the financial statement and tax basis of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, the Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or reversal of deferred tax liabilities during the periods in which those temporary differences become deductible. Based on this consideration, the Company determined the realization of a majority of the net deferred tax assets do not meet the more likely than not criteria and a valuation allowance was recorded against the majority of the net deferred tax assets at July 31, 2014. The effective tax rate for the quarter ended July 31, 2014 was impacted by the valuation allowance and a discrete item associated with uncertain tax positions.

The Company is currently under IRS examination for the year ended January 31, 2013. The years ended January 31, 2012 and January 31, 2014 remain open for examination by the IRS. The years ended January 31, 2010 through January 31, 2014 remain open for examination by state tax authorities. The Company is not currently under any state examinations.

The specific timing of when the resolution of each tax position will be reached is uncertain. As of July 31, 2014, we do not believe that there are any positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

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Note 8. Net Income (Loss) per Share

	Three Months Ended		Six Months Ended	
	7/31/2014	7/31/2013	7/31/2014	7/31/2013
	(In thousands, except per share data)			
Net income (loss)	$5,203	$6,210	$1,348	$1,763
Average shares outstanding	14,725	14,570	14,687	14,506
Net effect of dilutive stock options based on the treasury stock method using average market price	149	77	152	85
Totals	14,874	14,647	14,839	14,591
Net income (loss) per share - basic	$0.35	$0.43	$0.09	$0.12
Net income (loss) per share - diluted	$0.35	$0.42	$0.09	$0.12

Note 9. Stock-Based Compensation and Stockholders' Rights

Stock Incentive Plans

The Company's two stock plans are the 2011 Employee Stock Incentive Plan (the "2011 Plan") and the 2007 Employee Incentive Stock Plan (the "2007 Plan"). Under the 2011 Plan, the Company may grant an aggregate of 2,000,000 shares to its employees and non-employee directors in the form of stock options or awards. Restricted stock or stock units awarded under the 2011 Plan are expensed ratably over the vesting period of the awards. The Company determines the fair value of its restricted stock unit awards and related compensation expense as the difference between the market value of the awards on the date of grant less the exercise price of the awards granted. The Company granted 518,626 awards under the 2011 Plan during the quarter ended July 31, 2014. As of July 31, 2014, there were approximately 830,694 shares available for future issuance under the 2011 Plan.

Under the 2007 Plan, the Company may grant an aggregate of 1,000,000 shares to its employees and non-employee directors in the form of stock options or awards. Restricted stock or stock units awarded under the 2007 Plan are expensed ratably over the vesting period of the awards. The Company determines the fair value of its restricted stock unit awards and related compensation expense as the difference between the market value of the awards on the date of grant less the exercise price of the awards granted. The Company granted 0 awards under the 2007 Plan during 2013 and 0 awards under the 2007 Plan during the quarter ended July 31, 2014. As of July 31, 2014, there were approximately 13,075 shares available for future issuance under the 2007 Plan.

Accounting for the Plans
Restricted Stock Unit Awards
The following table presents a summary of restricted stock and stock unit awards at July 31, 2014 and 2013:

			Expense for 3 months ended		Expense for 6 months ended		Unrecognized Compensation Cost at
Date of Grants	Units Granted	Terms of Vesting	7/31/2014	7/31/2013	7/31/2014	7/31/2013	7/31/2014
2011 Stock Incentive Plan							
6/24/2014	28,626	1 year	$13,000	$—	$13,000	$—	$ 62,000
6/24/2014	490,000	5 year	43,000	—	43,000	—	1,237,000
12/3/2013	10,000	1 year	6,000	—	12,000	—	—
6/25/2013	71,430	1 year	13,000	30,000	50,000	30,000	—
6/19/2012	31,250	1 year	—	4,000	—	17,000	—
6/19/2012	520,000	5 year	39,000	40,000	79,000	82,000	444,000
2007 Stock Incentive Plan							
6/19/2012	78,125	1 year	—	11,000	—	41,000	—
6/16/2009	382,500	5 year	15,000	49,000	62,000	105,000	—
Totals for the period			$129,000	$134,000	$259,000	$275,000	$ 1,743,000

Stockholders' Rights

On October 15, 1996, the Board of Directors declared a dividend of one preferred stock purchase right (the "Rights") for each outstanding share of the Company's common Stock. The Rights were terminated on July 28, 2014 prior to becoming exercisable.

Note 10. Stockholders' Equity
During the three months ended July 31, 2014, the Company did not repurchase any shares of its common stock. As of July 31, 2014, $1.1 million remained available for repurchases of the Company's common stock pursuant to the Company's repurchase program approved by the Board of Directors, subject to restriction under the Company's Credit Agreement with PNC. Pursuant to the Company's Credit Agreement with PNC, the Company is prohibited from repurchasing any shares of its stock except in cases where a repurchase is financed by a substantially concurrent issuance of new shares of the Company's common stock.

Note 11. Retirement Plans

The Company and its subsidiaries cover employees under a noncontributory defined benefit retirement plan, entitled the Virco Employees' Retirement Plan (the "Pension Plan"). Benefits under the Employees Retirement Plan are based on years of service and career average earnings. As more fully described in the Form 10-K, benefit accruals under the Employees Retirement Plan were frozen effective December 31, 2003.

The Company also provides a supplementary retirement plan for certain key employees, the VIP Retirement Plan (the "VIP Plan"). The VIP Plan provides a benefit of up to 50% of average compensation for the last 5 years in the VIP Plan, offset by benefits earned under the Pension Plan. As more fully described in the Form 10-K, benefit accruals under this plan were frozen effective December 31, 2003.
The Company also provides a non-qualified plan for non-employee directors of the Company (the "Non-Employee Directors Retirement Plan"). The Non-Employee Directors Retirement Plan provides a lifetime annual retirement benefit equal to the director's annual retainer fee for the fiscal year in which the director terminates his or her position with the Board, subject to the director providing 10 years of service to the Company. As more fully described in the

Form 10-K, benefit accruals under this plan were frozen effective December 31, 2003.
The net periodic pension cost (income) for the Pension Plan, the VIP Plan, and the Non-Employee Directors Retirement Plan for the three months and six months ended July 31, 2014 and 2013 were as follows (in thousands):

	Three Months Ended					
	Pension Plan		VIP Plan		Non-Employee Directors Retirement Plan	
	7/31/2014	7/31/2013	7/31/2014	7/31/2013	7/31/2014	7/31/2013
Service cost	$—	$—	$—	$—	$—	$—
Interest cost	315	322	88	83	4	4
Expected return on plan assets	(275)	(276)	—	—	—	—
Amortization of transition amount	—	—	—	—	—	—
Recognized (gain) loss due to curtailments	—	—	—	—	—	—
Amortization of prior service cost	—	—	—	—	—	—
Recognized net actuarial (gain) loss	284	350	45	55	(8)	(3)
Benefit cost	$324	$396	$133	$138	$(4)	$1

	Six months Ended					
	Pension Plan		VIP Plan		Non-Employee Directors Retirement Plan	
	7/31/2014	7/31/2013	7/31/2014	7/31/2013	7/31/2014	7/31/2013
Service cost	$—	$—	$—	$—	$—	$—
Interest cost	630	644	176	166	8	8
Expected return on plan assets	(550)	(552)	—	—	—	—
Amortization of transition amount	—	—	—	—	—	—
Recognized (gain) loss due to curtailments	—	—	—	—	—	—
Amortization of prior service cost	—	—	—	—	—	—
Recognized net actuarial (gain) loss	568	700	90	110	(16)	(6)
Benefit cost	$648	$792	$266	$276	$(8)	$2

Note 12. Warranty Accrual
The Company provides a warranty against all substantial defects in material and workmanship. In 2005 the Company extended its standard warranty from five years to 10 years. Effective February 1, 2014 the Company modified its warranty to a limited lifetime warranty. The new warranty effective February 1, 2014 is not anticipated to have a significant effect on warranty expense. The Company’s warranty is not a guarantee of service life, which depends upon events outside the Company’s control and may be different from the warranty period. The Company accrues an estimate of its exposure to warranty claims based upon both product sales data and an analysis of actual warranty claims incurred.
The following is a summary of the Company’s warranty-claim activity for the three months and six months ended July 31, 2014 and 2013.

	Three Months Ended		Six Months Ended	
	7/31/2014	7/31/2013	7/31/2014	7/31/2013
	(In thousands)			
Beginning balance	$1,000	$1,000	$1,000	$1,000
Provision	83	75	218	216
Costs incurred	(83)	(75)	(218)	(216)

$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 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. 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. We have 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.

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b. Significant financing component: We 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: We 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, we have 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: We 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: We have 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 us 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 and other adjustments	(21.5)
Fair value of FMC Health and Nutrition sold to DuPont	1,968.6
Total purchase consideration	$3,172.7

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

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 and nine months ended September 30, 2018 was approximately $23 million and $66 million, respectively.
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. All sites except for one that did not transfer on November 1, 2017 legally transferred to us on July 1, 2018.

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

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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 received anti-trust approval from the Competition Commission of India on August 1, 2018 to complete the sale of the products to Crystal Crop Protection Limited in compliance with that final order. The sale closed on August 16, 2018 and satisfied our commitments to the Competition Commission of India related to the DuPont Crop Protection Business Acquisition. We recorded a gain of approximately $3 million.

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 purchase price allocation is considered complete. The allocation was subject to change within the measurement period (up to one year from the acquisition date) as additional information concerning final asset and liability valuations was 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 10-K were primarily related to increases in the estimated fair values of intangible assets, deferred tax liabilities, and the unfavorable supply contract. The cumulative effect of all measurement-period adjustments resulted in an increase to recognized goodwill of approximately $281 million.

The following table summarizes the consideration paid for the DuPont Crop Protection Business and the amounts of the assets acquired and liabilities assumed.

Purchase Price Allocation

(in Millions)	As of 9/30/2018
Trade receivables [1]	$45.8
Inventories [2]	379.8
Other current assets	53.4
Property, plant and equipment	424.3
Intangible assets:	
Indefinite-lived brands	1,301.2
Customer relationships [3]	763.7
Goodwill [4]	972.9
Deferred tax assets	79.7
Other noncurrent assets	14.2
Total fair value of assets acquired	$4,035.0
Accounts payable, trade and other [1]	$32.9
Accrued and other current liabilities [5]	156.2
Accrued pension and other postretirement benefits, long-term	9.1
Environmental liabilities [6]	2.6
Deferred tax liabilities	196.0
Other long-term liabilities [5]	452.3
Total fair value of liabilities assumed	$849.1

Total net assets acquired	$3,185.9
Less: Noncontrolling interest	(13.2)
Total purchase consideration	$3,172.7

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FMC CORPORATION
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(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 $89.8 million, of which $1.3 million and $69.6 million was amortized in the three and nine months ended September 30, 2018 and included in "Cost of sales and services" on the condensed consolidated statements of income (loss). The remaining amount was amortized during 2017.
(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 current assets and Other noncurrent 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 and nine month periods 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in Millions)	2018	2017	2018	2017
Pro forma Revenue [(1)]	$1,035.6	$974.6	$3,508.6	$3,160.7
Pro forma Diluted earnings per share from continuing operations [(1)]	0.57	1.15	3.48	4.09

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(1) For the three and nine months ended September 30, 2018, pro forma results and actual results are the same.

Transaction-related charges
Pursuant to U.S. GAAP, costs incurred associated with acquisition and separation activities are expensed as incurred. Historically, these costs have primarily consisted of legal, accounting, consulting, and other professional advisory fees associated with the preparation and execution of these activities. Given the significance and complexity around the integration of the DuPont Crop Protection Business Acquisition, we have incurred to date, and expect to incur, costs associated with integrating the DuPont Crop Protection Business, planning for the exit of the transitional service agreement as well as implementation of a new worldwide ERP system as a result of the transitional service agreement exit, the majority of which will be capitalized in accordance with the relevant accounting literature. These costs have been and are expected to be significant. Additionally, we expect to continue to incur costs associated with the

previously announced separation of FMC Lithium. Costs incurred to date are primarily comprised of advisory and other professional fees. The following table summarizes the costs incurred associated with these activities.

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FMC CORPORATION
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	Three Months Ended September 30,		Nine Months Ended September 30,	
(in Millions)	2018	2017	2018	2017
Transaction-related charges				
Acquisition-related charges - DuPont Crop				
Legal and professional fees [(1)]	$16.9	$48.8	$64.7	$78.7
Inventory fair value amortization [(2)]	1.3	—	69.6	—
Separation-related charges - FMC Lithium				
Legal and professional fees [(1)]	$6.8	$—	$14.8	$—
Total Transaction-related charges	$25.0	$48.8	$149.1	$78.7
Restructuring charges				
DuPont Crop restructuring	$20.0	$—	$92.5	$—
Total DuPont Crop restructuring charges [(3)]	$20.0	$—	$92.5	$—

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(1) Represents transaction costs, costs for transitional employees, other acquired employees related costs, and transactional-related costs such as 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).

(3) See Note 9 for more information. These charges are recorded as a component of “Restructuring and other charges (income)” on the condensed consolidated statements of income (loss).

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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)	281.1	—	281.1
Foreign currency and other adjustments	(13.6)	—	(13.6)
Balance, September 30, 2018	$ 1,466.4	$ —	$1,466.4

We perform our goodwill and indefinite-lived intangible asset impairment tests at least annually. Our fiscal year 2018 annual goodwill and indefinite-lived intangible asset impairment test was performed during the three months ended September 30, 2018. As a result, we determined no goodwill impairment existed and that the fair value was substantially in excess of the carrying value for each of our goodwill reporting units. However, we recorded an immaterial impairment charge in our generic brand portfolio which is part of our FMC Agricultural Solutions segment. Refer to Note 17 for further details.

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

	September 30, 2018			December 31, 2017		
(in Millions)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization (finite-lived)						
Customer relationships	$1,156.3	$ (116.3)	$1,040.0	$1,122.5	$ (73.3)	$1,049.2
Patents	2.0	(0.7)	1.3	2.0	(0.6)	1.4
Brands [1] [3]	14.5	(5.8)	8.7	15.7	(6.2)	9.5
Purchased and licensed technologies	61.9	(31.4)	30.5	57.3	(28.9)	28.4
Other intangibles	2.9	(2.0)	0.9	2.9	(2.0)	0.9
	$1,237.6	$ (156.2)	$1,081.4	$1,200.4	$ (111.0)	$1,089.4
Intangible assets not subject to amortization (indefinite-lived)						
Crop Protection Brands [2]	$1,259.1		$1,259.1	$1,136.1		$1,136.1
Brands [1] [3]	398.7		398.7	405.6		405.6
In-process research & development	0.7		0.7	0.7		0.7
	$1,658.5		$1,658.5	$1,542.4		$1,542.4
Total intangible assets	$2,896.1	$(156.2)	$2,739.9	$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 September 30, 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	$ 1,080.5	$ 1,658.5
FMC Lithium	0.9	—
Total	$ 1,081.4	$ 1,658.5

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FMC CORPORATION
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(in Millions)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Amortization expense	$15.9	$5.6	$47.0	$15.9

The full year estimated pre-tax amortization expense for the year ended December 31, 2018 and each of the succeeding five years is approximately $63 million.

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	13.0
Transfer from (to) allowance for credit losses (see below)	(16.8)
Net recoveries, write-offs and other [1]	(14.9)
Balance, September 30, 2018	$20.0

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(1) Includes write-offs of $5.2 million associated with the accounts receivables written off as part of the restructuring in India. Refer to Note 9 for further information.

We have 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 $81.2 million as of September 30, 2018. These long-term customer receivable balances and the corresponding allowance are included in "Other assets including long-term receivables, net" 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.

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(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	11.8
Transfer from (to) allowance for doubtful accounts (see above)	16.8
Foreign currency adjustments	(4.4)
Net recoveries, write-offs and other	(8.7)
Balance, September 30, 2018	$62.6

Note 7: Inventories
Inventories consisted of the following:

(in Millions)	September 30, 2018	December 31, 2017
Finished goods	$ 260.5	$ 353.7
Work in process	609.4	542.4
Raw materials, supplies and other	256.2	224.1
First-in, first-out inventory	$ 1,126.1	$ 1,120.2
Less: Excess of first-in, first-out cost over last-in, first-out cost	(130.7)	(127.7)
Net inventories	$ 995.4	$ 992.5

Note 8: Property, Plant and Equipment
Property, plant and equipment consisted of the following:

(in Millions)	September 30, 2018	December 31, 2017
Property, plant and equipment	$ 1,469.0	$ 1,461.1
Accumulated depreciation	(466.3)	(435.9)
Property, plant and equipment, net	$ 1,002.7	$ 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 September 30,		Nine Months Ended September 30,	
(in Millions)	2018	2017	2018	2017
Restructuring charges	$25.1	$4.4	$106.6	$7.1
Other charges (income), net	0.8	2.7	(77.4)	15.2
Total restructuring and other charges (income)	$25.9	$7.1	$29.2	$22.3

Restructuring charges

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.

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FMC CORPORATION
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(in Millions)	Restructuring Charges Severance and Employee Benefits (1)	Other Charges (Income) (2)	Asset Disposal Charges (3)	Total
DuPont Crop restructuring	$2.4	$ 12.4	$ 5.2	$20.0
Lithium restructuring	—	—	0.3	0.3
Other items	0.5	1.2	3.1	4.8
Three Months Ended September 30, 2018	$2.9	$ 13.6	$ 8.6	$25.1
Other items	$—	$ —	$ 4.4	$4.4
Three Months Ended September 30, 2017	$—	$ —	$ 4.4	$4.4
DuPont Crop restructuring	$10.7	$ 15.5	$ 66.3	$92.5
FMC Lithium restructuring	—	1.9	0.5	2.4
Other items	3.3	2.8	5.6	11.7
Nine Months Ended September 30, 2018	$14.0	$ 20.2	$ 72.4	$106.6
Other Items	$—	$ —	$ 7.1	$7.1
Nine Months Ended September 30, 2017	$—	$ —	$ 7.1	$7.1

(1) Represents severance and employee benefit charges.
(2) Primarily represents costs associated with lease payments, contract terminations, and other miscellaneous exit costs.
(3) Primarily represents asset write-offs, 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
On November 1, 2017, we completed the acquisition of the DuPont Crop Protection Business. See Note 4 for more details. As we integrate the DuPont Crop Protection Business into our existing FMC Agricultural Solutions segment, we have started to and continue to 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. Details of key activities to date are as follows.

Subsequent to the acquisition, we conducted an in-depth analysis of key competitive capabilities of the combined business in India which resulted in a significant change to how we operate in the market and therefore a restructuring of our business in India. On July 3, 2018, we announced the adoption of an innovation-focused product strategy that uses a unique market access model anchored by our key, large scale distributors rather than the vast customer base we served prior to the DuPont Crop Protection Acquisition. Additionally, we rationalized our product portfolio and decisively exited a vast majority of the low margin product range. As a result of the change to our market access, we incurred charges of approximately $2 million and $57 million for the three and nine months ended September 30, 2018, which primarily included the write-off of stranded accounts receivables and inventory. We also had workforce reductions which resulted in severance and other employee benefit charges of $1 million and $4 million for the three and nine months ended September 30, 2018.

As part of the 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 $9.1 million and $17.4 million of accelerated depreciation charges in the three and nine months ended September 30, 2018, respectively. The cease use criteria was met as of September 30, 2018 as all employees had exited the Ewing facility and the facility became available for use. We record the estimated future liability associated with the rental obligation on the cease use date which resulted in a charge of $11.2 million in the three months ended September 30,

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

2018. This charge was offset by the reduction of the capital lease liability previously recorded in "Other long-term liabilities" of $6.0 million. In addition to lease termination costs, we incurred severance, relocation and other employee related charges of $4.3 million for the nine months ended September 30, 2018.

FMC 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 9/30/18 (2)
DuPont Crop restructuring	$ —	$ 26.2	$ (9.2)	$ (1.5)	$ 15.5
Cheminova restructuring	1.2	—	(1.2)	—	—
FMC Lithium restructuring	3.0	1.9	(0.8)	—	4.1
Other workforce related and facility shutdowns (1)	2.3	6.1	(5.8)	(1.5)	1.1
Total	$ 6.5	$ 34.2	$ (17.0)	$ (3.0)	$ 20.7

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(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 September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Environmental charges, net	$ 2.4	$ 2.7	$ 9.2	$ 8.3
Product portfolio sales	(2.2)	—	(87.2)	—
Other items, net	0.6	—	0.6	6.9
Other charges (income), net	$ 0.8	$ 2.7	$ (77.4)	$ 15.2

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

Product Portfolio Sales

On February 1, 2018, we sold a portion of our European herbicide portfolio to Nufarm Limited. Additionally, on August 16, 2018, we completed the sale of certain products of our India portfolio to Crystal Crop Protection Limited. Both sales were required by regulatory authorities as part of closing conditions for the DuPont acquisition. Refer to Note 4 for more information. The gain on these sales are recorded within "Restructuring and other charges (income)" on the condensed consolidated statements of income (loss). Proceeds from these sales are included in investing activities on the condensed consolidated statements of cash flows.

Other items, net

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Other items, net for the three and nine months ended September 30, 2018 relate to the loss associated with the divestment of a joint venture within FMC Agricultural Solutions. Other items, net for the nine months ended September 30, 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)	September 30, 2018	December 31, 2017
Short-term foreign debt (1)	$ 65.8	$ 91.4
Total short-term debt	$ 65.8	$ 91.4
Current portion of long-term debt	83.6	101.2
Total short-term debt and current portion of long-term debt	$ 149.4	$ 192.6

(1) At September 30, 2018, the average effective interest rate on the borrowings was 7.4%.

Long-term debt:

(in Millions)	September 30, 2018 Interest Rate Percentage	Maturity Date	September 30, 2018	December 31, 2017
Pollution control and industrial revenue bonds (less unamortized discounts of $0.2 and $0.2, respectively)	1.8 - 6.5%	2021 - 2032	$ 51.6	$ 51.6
Senior notes (less unamortized discount of $0.9 and $1.1, respectively)	3.95 - 5.2%	2019 - 2024	999.1	998.9
2014 Term Loan Facility	3.5%	2020	150.0	450.0
2017 Term Loan Facility	3.5%	2022	1,400.0	1,500.0
Revolving Credit Facility (1)	4.8%	2022	—	—
FMC Lithium Revolving Credit Facility (2)	4.9%	2023	—	—
Foreign debt	0 - 7.2%	2018 - 2024	86.9	106.9
Debt issuance cost			(10.7)	(13.2)
Total long-term debt			$ 2,676.9	$ 3,094.2
Less: debt maturing within one year			83.6	101.2
Total long-term debt, less current portion			$ 2,593.3	$ 2,993.0

(1) Letters of credit outstanding under our Revolving Credit Facility totaled $201.7 million and available funds under this facility were $1,298.3 million at September 30, 2018.
(2) As of September 30, 2018, there were no letters of credit outstanding under our FMC Lithium Revolving Credit Facility.

Revolving Credit Agreement Amendment
On September 28, 2018, we entered into Amendment No. 1 (“Revolving Credit Amendment”) to that certain Second Amended and Restated Credit Agreement, dated as of May 2, 2017. The Revolving Credit Amendment amends the Revolving Credit Agreement in order to permit the previously disclosed separation and spin-off of FMC Lithium, as set forth in the Revolving Credit Amendment.

2017 Term Loan Agreement Amendment

On September 28, 2018, we entered into Amendment No. 1 (“2017 Term Loan Amendment”) to that certain Term Loan Agreement, dated as of May 2, 2017. The 2017 Term Loan Amendment amends the 2017 Term Loan Agreement in order to permit our previously disclosed separation and spin-off of the FMC Lithium segment, as set forth in the 2017 Term Loan Amendment.

2014 Term Loan Agreement Amendment

On September 28, 2018, we entered into Amendment No. 4 (“2014 Term Loan Amendment”) to that certain Term Loan Agreement, dated as of October 10, 2014. The 2014 Term Loan Amendment amends the 2014 Term Loan Agreement in order to permit our previously disclosed separation and spin-off of the FMC Lithium business, as set forth in the 2014 Term Loan Amendment.

FMC Lithium Revolving Credit Facility

On September 28, 2018, our Lithium segment entered into a credit agreement among its subsidiary, FMC Lithium USA Corp., as borrowers (the “Borrowers”), certain of FMC Lithium's wholly owned subsidiaries as guarantors, the lenders party thereto (the “Lenders”), Citibank, N.A., as administrative agent, and certain other financial institutions party thereto, as joint lead arrangers (the “Credit Agreement”). The Credit Agreement provides for a $400 million senior secured revolving credit facility, $50 million of which is available for the issuance of letters of credit for the account of the Borrowers, with an option, subject to certain conditions and limitations, to increase the aggregate amount of the revolving credit commitments to $600 million (the “Revolving Credit Facility”). The issuance of letters of credit and the proceeds of revolving credit loans made pursuant to the Revolving Credit Facility are available, and will be used, for general corporate purposes, including capital expenditures and permitted acquisitions, of the Borrowers and their subsidiaries.

Amounts under the Revolving Credit Facility may be borrowed, repaid and re-borrowed from time to time until the final maturity date of the Revolving Credit Facility, which will be the fifth anniversary of the Revolving Credit Facility’s effective date. Voluntary prepayments and commitment reductions under the Revolving Credit Facility are permitted at any time without any prepayment premium upon proper notice and subject to minimum dollar amounts.

Revolving loans under the Credit Agreement will bear interest at a floating rate, which will be a base rate or a Eurodollar rate equal to the London interbank offered rate for the relevant interest period, plus, in each case, an applicable margin based on the Lithium segment's leverage ratio, as determined in accordance with the provisions of the Credit Agreement. The base rate will be the greatest of: the rate of interest announced publicly by Citibank, N.A. in New York City from time to time as its “base rate”; the federal funds effective rate plus 0.5%; and a Eurodollar rate for a one-month interest period plus 1%. Each borrower on a joint and several basis is required to pay a commitment fee quarterly in arrears on the average daily unused amount of each Lender’s revolving credit commitment at a rate equal to an applicable percentage based on the Lithium segment’s leverage ratio, as determined in accordance with the provisions of the Credit Agreement. The applicable margin and the commitment fee are subject to adjustment as provided in the Credit Agreement.

The Borrowers’ present and future domestic material subsidiaries (the “Guarantors”) will guarantee the obligations of the Borrowers under the Revolving Credit Facility. The obligations of the Borrowers and the Guarantors are secured by all of the present and future assets of the Borrowers and the Guarantors, including the Borrowers’ facility and real estate in Bessemer City, North Carolina, subject to certain exceptions and exclusions as set forth in the Credit Agreement and other security and collateral documents.

The Credit Agreement contains certain affirmative and negative covenants that are binding on the Borrowers and their subsidiaries, including, among others, restrictions (subject to exceptions and qualifications) on the ability of the Borrowers and their subsidiaries to create liens, to undertake fundamental changes, to incur debt, to sell or dispose of assets, to make investments, to make restricted payments such as dividends, distributions or equity repurchases, to change the nature of their businesses, to enter into transactions with affiliates and to enter into certain burdensome agreements.

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 September 30, 2018 was 2.4, which is below the maximum leverage of 4.5 at September 30, 2018. Our actual interest coverage for the four consecutive quarters ended September 30, 2018 was 9.3, which is above the minimum interest coverage of 3.5. We were in compliance with all covenants at September 30, 2018.

The FMC Lithium Revolving Credit Facility contains financial covenants applicable to FMC Lithium 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). Under the FMC Lithium Revolving Credit Facility, FMC Lithium must maintain a leverage ratio of no more than 3.50 to 1.00 and a minimum interest coverage ratio of at least 3.50 to 1.00, each as measured as of the end of each fiscal quarter. We were in compliance with all covenants at September 30, 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 nine months ended September 30, 2018, we recorded an additional gain on sale of $17 million, net of tax as a result of the 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 an initial 24 months after closing, with an additional 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 were to transfer at a later date due to various local timing constraints. In May 2018, the last site transferred to DuPont. The results of our discontinued FMC Health and Nutrition operations are summarized below, including the results of these delayed sites included in the three and nine months ended September 30, 2018:

(in Millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenue	$—	$163.3	$3.8	$502.1
Costs of sales and services	—	101.7	4.0	309.0
Income (loss) from discontinued operations before income taxes (1)	$(0.4)	$33.0	$2.1	$108.2
Provision (benefit) for income taxes (2)	(0.7)	22.7	0.7	62.9
Total discontinued operations of FMC Health and Nutrition, net of income taxes, before divestiture related costs and adjustments (3)	$0.3	$10.3	$1.4	$45.3
Adjustment to gain on sale of FMC Health and Nutrition, net of income taxes	—	—	16.8	—
Divestiture related costs of discontinued operations of FMC Health and Nutrition, net of income taxes	0.6	(5.4)	0.3	(14.9)
Adjustment to FMC Health and Nutrition Omega-3 net assets held for sale, net of income taxes (4)	—	3.1	—	(147.8)
Discontinued operations of FMC Health and Nutrition, net of income taxes	$0.9	$8.0	$18.5	$(117.4)
Less: Discontinued operations of FMC Health and Nutrition attributable to noncontrolling interests	—	0.1	—	0.1
Discontinued operations of FMC Health and Nutrition, net of income taxes, attributable to FMC Stockholders	$0.9	$7.9	$18.5	$(117.5)

(1) Results for the three and nine months September 30, 2018 include an adjustment to retained liabilities of the disposed FMC Health and Nutrition business. For the three months ended September 30, 2017, amounts include $4.7 million of allocated interest expense and $3.9 million of restructuring and other charges (income). For the nine months ended September 30, 2017, amounts include $15.1 million of allocated interest expense, $7.0 million of restructuring and other charges (income), and $3.9 million of a pension curtailment charge. See Note 15 for more information of the pension curtailment charge. Interest was allocated in accordance with relevant discontinued operations accounting guidance.

(2) Includes the accrual for income taxes of $14.7 million associated with unremitted earnings of foreign FMC Health and Nutrition subsidiaries held for sale for the three and nine months ended September 30, 2017.

(3) In accordance with U.S. 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.

(4) Represents the impairment charge for the nine months ended September 30, 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.

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

(in Millions)	September 30, 2018	December 31, 2017
Assets		
Current assets of discontinued operations held for sale [(1)]	$ —	$ 7.2
Property, plant and equipment	—	0.1
Total assets of discontinued operations held for sale [(2)]	$ —	$ 7.3
Liabilities		
Current liabilities of discontinued operations held for sale	$ —	$ (1.3)
Total liabilities of discontinued operations held for sale [(3)]	$ —	$ (1.3)
Total net assets [(4)]	$ —	$ 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 December 31, 2017.

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

(4) In connection with the divestiture of FMC Health and Nutrition, certain sites transferred to DuPont subsequent to November 1, 2017 due to various local timing constraints. Amounts at December 31, 2017 represent the net assets of FMC Health and Nutrition ultimately transferred to DuPont subsequent to the closing date in 2018.

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 September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Adjustment for workers' compensation, product liability, other postretirement benefits and other, net of income tax benefit (expense) of $0.6 and $0.1 for the three and nine months ended September 30, 2018 and $0.2 and ($0.2) for the three and nine months ended 2017, respectively	$0.9	$0.4	$2.0	$2.1
Provision for environmental liabilities, net of recoveries, net of income tax benefit of $1.0 and $2.4 for the three and nine months ended September 30, 2018 and $9.9 and $14.4 for the three and nine months ended 2017, respectively [(1)]	(4.0)	(19.3)	(9.0)	(30.0)
Provision for legal reserves and expenses, net of recoveries, net of income tax benefit of $0.7 and $4.1 for the three and nine months ended September 30, 2018 and $2.2 and $6.4 for the three and nine months ended 2017, respectively	(2.5)	(4.2)	(15.7)	(12.0)
Discontinued operations of FMC Health and Nutrition, net of income tax benefit (expense) of $0.5 and ($4.1) for the three and nine months ended September 30, 2018 and ($21.0) and ($38.6) for the three and nine months ended 2017, respectively	0.9	8.0	18.5	(117.4)

Discontinued operations, net of income taxes	$(4.7)	$(15.1)	$(4.2)	$(157.3)

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

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

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)	21.0	—	21.0
(Spending) Recoveries	(31.4)	—	(31.4)
Foreign currency translation adjustments	(0.9)	—	(0.9)
Net change	$(11.3)	$ —	$(11.3)
Total environmental reserves at September 30, 2018	$420.8	$ (13.9)	$406.9
Environmental reserves, current [1]	$98.9	$ (2.0)	$96.9
Environmental reserves, long-term [2]	321.9	(11.9)	310.0
Total environmental reserves at September 30, 2018	$420.8	$ (13.9)	$406.9

(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 $210 million at September 30, 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 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	9/30/2018
Environmental recoveries	$ 32.3	0.4	(4.2)	$ 28.5

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 September 30,		Nine Months Ended September 30,	
(in Millions)	2018	2017	2018	2017

Environmental provisions, net - recorded to liabilities (1)	$7.8	$31.9	$21.0	$53.1
Environmental provisions, net - recorded to assets (2)	(0.4)	—	(0.4)	(0.4)
Environmental provision, net	$7.4	$31.9	$20.6	$52.7
Continuing operations (3)	$2.4	$2.7	$9.2	$8.3
Discontinued operations (4)	5.0	29.2	11.4	44.4
Environmental provision, net	$7.4	$31.9	$20.6	$52.7

(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.

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(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 nondiscretionary 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. On June 7, 2018, the District Court denied FMC's motion. On August 6, 2018, FMC filed a notice of appeal in the Second Circuit, appealing both the underlying dismissal and the denial of the motion, which is still pending.

Oral arguments 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 and then seek reimbursement from FMC in a separate proceeding. We will have the opportunity to dispute the liability for, and the amount of, the costs in that proceeding.

NYSDEC has elected to unilaterally implement the remedy outside of the framework of the AOC, which is also inconsistent with the National Contingency Plan, but has not yet brought a cost recovery action against FMC. FMC's reserves continue to reflect the reasonably estimable amount necessary to perform the remedy recommended in the Corrective Measure Study report submitted pursuant to the AOC. Our estimated reasonably possible environmental loss contingencies exposure continues to reflect the additional costs that NYSDEC may claim they are entitled to in the cost recovery action.

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 and nine months ended September 30, 2018, there were 0.2 million and 0.2 million

potential common shares excluded from Diluted EPS, respectively. There were no potential common shares excluded from Diluted EPS for the three months ended September 30, 2017. For the nine months ended September 30, 2017 there were 0.2 million potential common shares excluded from Diluted EPS.

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.

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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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Earnings (loss) attributable to FMC stockholders:				
Continuing operations, net of income taxes	$77.5	$ 70.4	$473.9	$163.1
Discontinued operations, net of income taxes	(4.7)	(15.2)	(4.2)	(157.4)
Net income (loss) attributable to FMC stockholders	$72.8	$ 55.2	$469.7	$5.7
Less: Distributed and undistributed earnings allocable to restricted award holders	(0.4)	(0.3)	(2.1)	(0.7)
Net income (loss) allocable to common stockholders	$72.4	$ 54.9	$467.6	$5.0
Basic earnings (loss) per common share attributable to FMC stockholders:				
Continuing operations	$0.57	$ 0.52	$3.50	$1.21
Discontinued operations	(0.03)	(0.11)	(0.03)	(1.17)
Net income (loss) attributable to FMC stockholders	$0.54	$ 0.41	$3.47	$0.04
Diluted earnings (loss) per common share attributable to FMC stockholders:				
Continuing operations	$0.57	$ 0.52	$3.48	$1.20
Discontinued operations	(0.03)	(0.11)	(0.03)	(1.16)
Net income (loss) attributable to FMC stockholders	$0.54	$ 0.41	$3.45	$0.04
Shares (in thousands):				
Weighted average number of shares of common stock outstanding - Basic	134,852	134,371	134,729	134,184
Weighted average additional shares assuming conversion of potential common shares	1,505	1,576	1,508	1,324
Shares – diluted basis	136,357	135,947	136,237	135,508

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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)	469.7	7.2	476.9
Stock compensation plans	26.7	—	26.7
Shares for benefit plan trust	(0.3)	—	(0.3)
Net pension and other benefit actuarial gains (losses) and prior service cost, net of income tax (1)	10.4	—	10.4
Net hedging gains (losses) and other, net of income tax (1)	1.1	—	1.1
Foreign currency translation adjustments (1)	(70.7)	(1.3)	(72.0)
Dividends ($0.495 per share)	(66.9)	—	(66.9)
Repurchases of common stock	(5.4)	—	(5.4)
Noncontrolling interests associated with an acquisition	—	0.7	0.7
Balance at September 30, 2018	$ 3,046.4	$ 31.9	$ 3,078.3

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(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	(70.7)	12.0	—	(58.7)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(10.9)	10.4	(0.5)
Accumulated other comprehensive income (loss), net of tax at September 30, 2018	$ (76.9)	$ 6.3	$ (228.9)	$ (299.5)

(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	162.4	(3.2)	1.3	160.5
Amounts reclassified from accumulated other comprehensive income (loss)	17.0	1.3	11.0	29.3
	$ (14.6)	$ 5.2	$ (279.2)	$ (288.6)

Accumulated other comprehensive income (loss), net of tax at
September 30, 2017

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(1) See Note 17 for more information.
(2) See Note 15 for more information.

Reclassifications of accumulated other comprehensive income (loss)

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

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]				Affected Line Item in the Condensed Consolidated Statements of Income (Loss)
	Three Months Ended September 30,		Nine Months Ended September 30,		
(in Millions)	2018	2017	2018	2017	
Foreign currency adjustments:					
Divestiture of Omega-3 business [2]	$—	$(17.0)	$—	$(17.0)	Discontinued operations, net of income taxes
Derivative instruments					
Foreign currency contracts	$18.0	$(4.9)	$20.4	$(9.4)	Costs of sales and services
Energy contracts	—	(0.2)	—	0.6	Costs of sales and services
Foreign currency contracts	(4.0)	2.6	(4.3)	6.6	Selling, general and administrative expenses
Other contracts	(0.2)	—	(0.2)	—	Interest expense, net
Total before tax	$13.8	$(2.5)	$15.9	$(2.2)	
	(4.6)	1.0	(5.0)	0.9	Provision for income taxes
Amount included in net income (loss)	$9.2	$(1.5)	$10.9	$(1.3)	
Pension and other postretirement benefits [3]					
Amortization of prior service costs	$—	$(0.1)	$(0.2)	$(0.4)	Selling, general and administrative expenses
Amortization of unrecognized net actuarial and other gains (losses)	(4.4)	(3.6)	(11.5)	(10.4)	Selling, general and administrative expenses
Recognized loss due to curtailment and settlement	(0.1)	(1.2)	(1.4)	(5.9)	Selling, general and administrative expenses; Discontinued operations, net of income taxes [4]
Total before tax	$(4.5)	$(4.9)	$(13.1)	$(16.7)	
	0.9	1.7	2.7	5.7	Provision for income taxes
Amount included in net income (loss)	$(3.6)	$(3.2)	$(10.4)	$(11.0)	
Total reclassifications for the period	$5.6	$(4.7)	$0.5	$(12.3)	Amount included in net income

(1) Amounts in parentheses indicate charges to the condensed consolidated statements of income (loss).

(2) The reclassification of historical cumulative translation adjustments was the result of the sale of our Omega-3 business. The loss recognized from this reclassification is considered permanent for tax purposes and therefore no tax has been provided. See Note 11 within these condensed consolidated financial statements for more information. In accordance with accounting guidance, this amount was previously factored into the lower of cost or fair value test associated with the Omega-3 asset held for sale write-down charges.

(3) 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.

(4) The loss due to curtailment for the nine months ended September 30, 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 the nine months ended September 30, 2018 and 2017, we paid dividends of $66.9 million and $66.6 million, respectively. On October 18, 2018, we paid dividends totaling $22.3 million to our shareholders of record as of September 28, 2018. This amount is included in “Accrued and other liabilities” on the condensed consolidated balance sheet as of September 30, 2018.

During the nine months ended September 30, 2018, no shares were repurchased under the publicly announced repurchase program. At September 30, 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

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

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):

(in Millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	Pensions		Other Benefits		Pensions		Other Benefits	
	2018	2017	2018	2017	2018	2017	2018	2017
Service cost	$1.1	$1.8	$—	$—	$4.3	$5.6	$—	$—
Interest cost	9.9	11.2	0.2	0.1	32.7	33.7	0.5	0.5
Expected return on plan assets	(15.9)	(19.9)	—	—	(47.5)	(59.6)	—	—
Amortization of prior service cost (credit)	0.1	0.1	(0.1)	—	0.3	0.4	(0.1)	—
Recognized net actuarial and other (gain) loss	4.5	4.1	—	(0.3)	12.8	11.9	(0.4)	(0.8)
Recognized loss due to settlement [(1)]	0.1	1.2	—	—	1.4	2.0	—	—
Net periodic benefit cost (income)	$(0.2)	$(1.5)	$0.1	$(0.2)	$4.0	$(6.0)	$—	$(0.3)

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

In the nine months ended September 30, 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 made voluntary cash contributions to our U.S. defined benefit pension plan in the nine months ended September 30, 2018 and 2017 of $30.0 million and $44.0 million, respectively. We do not expect to make any further 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. For the period ending December 31, 2017, we recognized provisional tax expense 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 $202.7 million for the net transition tax to be paid over eight years and

$113.2 million from the remeasurement of our U.S. net deferred tax assets.
For the nine months ended September 30, 2018, we recorded an adjustment to our provisional tax expense of $18.3 million of income tax expense comprised of a change of $3.2 million in the estimated impact of the remeasurement of the Company's U.S. net deferred tax assets and a $15.1 million change in the net transition tax to be paid. The revisions to our provisional tax expense include the impact of the 2017 U.S. federal tax return filing. We will continue to refine our calculations as additional information is obtained and analyzed related to the Act. Additional information that may affect our provisional amounts would include further clarification and guidance on how the IRS and state taxing authorities will implement tax reform, such as guidance with respect to foreign sourced earnings, executive compensation, and transition tax; the completion of certain 2017 state tax returns; and the potential for additional guidance from the SEC or the FASB related to tax reform. The accounting is expected to be finalized during the fourth quarter of 2018.

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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 September 30,					
	2018			2017		
(in Millions)	Before Tax	Tax	Effective Tax Rate %	Before Tax	Tax	Effective Tax Rate %
Continuing operations	$109.6	$30.1	27.5 %	$59.3	$(11.6)	(19.6)%
Discrete items:						
Transaction-related charges (1)	$6.8	$1.5		$48.8	$15.4	
Currency remeasurement (2)	—	1.8		4.6	1.2	
Other discrete items (3)	32.8	6.1		(4.1)	1.3	
Tax only discrete items (4)	—	(17.2)		—	4.7	
Total discrete items	$39.6	$(7.8)		$49.3	$22.6	
Continuing operations, before discrete items	$149.2	$22.3		$108.6	$11.0	
Estimated Annualized Effective Tax Rate (EAETR) (5)			14.9 %			10.1 %

	Nine Months Ended September 30,					
	2018			2017		
(in Millions)	Before Tax	Tax	Effective Tax Rate %	Before Tax	Tax	Effective Tax Rate %
Continuing operations	$581.5	$100.4	17.3 %	$165.7	$1.1	0.7 %
Discrete items:						
Transaction-related charges (1)	$14.8	$3.1		$78.7	$24.5	
Currency remeasurement (2)	3.3	3.4		16.1	5.4	
Other discrete items (3)	104.4	13.2		83.4	4.6	
Tax only discrete items (4)	—	(12.4)		—	5.8	
Total discrete items	$122.5	$7.3		$178.2	$40.3	
Continuing operations, before discrete items	$704.0	$107.7		$343.9	$41.4	
Estimated Annualized Effective Tax Rate (EAETR) (5)			15.3 %			12.0 %

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

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(1) As of the three and nine months ended September 30, 2018, amount relates to FMC Lithium separation-related charges. As of the three and nine months ended September 30, 2017, amount relates to DuPont acquisition-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. During the three months ended September 30, 2018, other discrete items were materially comprised of restructuring charges and other integration related costs associated with the acquired DuPont Crop Protection Business and the discrete accounting for excluded pretax losses of subsidiaries for which a full valuation allowance has been provided. During the nine months ended September 30, 2018, other discrete items also included the gain attributable to the sale of a portion of FMC's European herbicide portfolio to Nufarm Limited recorded in the first quarter. See Note 4 for additional information on the Company’s Nufarm divestment. For the three and nine months ended September 30, 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 and nine months ended September 30, 2017 and September 30, 2018, tax only discrete items are primarily comprised of the tax effect of currency remeasurement associated with foreign statutory operations, changes in realizability of certain deferred tax assets, changes in uncertain tax liabilities and related interest, excess tax benefits associated with share-based compensation, changes in prior year estimates of subsidiary tax liabilities, and adjustments to our provisional tax expense related to the Act.

(5) The primary drivers for the increase in effective tax rate for both the three and nine months ended September 30, 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:

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 $2,767.7 million and $3,250.6 million and the carrying amount is $2,742.7 million and $3,185.6 million as of September 30, 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 derivative contracts, including forward contracts and purchased options, to reduce the effects of fluctuating currency exchange rates, interest rates, and commodity prices. 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.

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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 September 30, 2018, we had open foreign currency forward contracts and options in AOCI in a net after tax gain position of $4.9 million designated as cash flow hedges of underlying forecasted sales and purchases. Current open contracts and options hedge forecasted transactions until December 31, 2019. At September 30, 2018, we had open forward contracts and options designated as cash flow hedges with various expiration dates to buy, sell or exchange foreign currencies with a U.S. dollar equivalent of approximately $671.4 million.

As of September 30, 2018, we had open interest rate contracts in AOCI in a net after tax gain position of $0.5 million designated as cash flow hedges of underlying floating rate interest payments on a portion of our variable-rate debt. At September 30, 2018 we had interest rate swap contracts outstanding with a total aggregate notional value of $200.0 million.

As of September 30, 2018, we had no open commodity contracts in AOCI designated as cash flow hedges of underlying forecasted purchases. At September 30, 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 $5.4 million net gains after-tax, representing open foreign currency exchange contracts, interest rate contracts, and commodity contracts, will be realized in earnings during the twelve months ending September 30, 2019 if spot rates in the future are consistent with forward rates as of September 30, 2018. The actual effect on earnings will be dependent on the actual spot rates when 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 $1,071.1 million at September 30, 2018.

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

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

	September 30, 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 Condensed Consolidated Balance Sheet [3]	Net Amounts
Derivatives					
Foreign exchange contracts	$13.5	$ 0.6	$ 14.1	$ (8.0)	$ 6.1
Interest rate contracts	0.6	—	0.6	—	0.6
Total derivative assets [1]	$14.1	$ 0.6	$ 14.7	$ (8.0)	$ 6.7
Foreign exchange contracts	$(10.6)	$ (2.3)	$ (12.9)	$ 8.0	$ (4.9)
Interest rate contracts	—	—	—	—	—
Total derivative liabilities [2]	$(10.6)	$ (2.3)	$ (12.9)	$ 8.0	$ (4.9)
Net derivative assets (liabilities)	$3.5	$ (1.7)	$ 1.8	$ —	$ 1.8

	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 Condensed 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

	Three Months Ended September 30,							
	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	$2.3	$(1.8)	$—	$0.1	$0.3	$—	$2.6	$(1.7)
Reclassification of deferred hedging (gains) losses, net of tax [1]								
Effective portion [1]	(9.4)	1.5	—	0.1	0.2	(0.1)	(9.2)	1.5
Total derivative instrument impact on comprehensive income, net of tax	$(7.1)	$(0.3)	$—	$0.2	$0.5	$(0.1)	$(6.6)	$(0.2)

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

	Nine Months Ended September 30, 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	$11.7	$(2.4)	$—	$(0.8)	$0.3	$—	$12.0	$(3.2)
Reclassification of deferred hedging (gains) losses, net of tax [(1)]								
Effective portion [(1)]	(11.1)	1.8	—	(0.4)	0.3	(0.1)	(10.8)	1.3
Ineffective portion [(1)]	(0.1)	—	—	—	—	—	(0.1)	—
Total derivative instrument impact on comprehensive income, net of tax	$0.5	$(0.6)	$—	$(1.2)	$0.6	$(0.1)	$1.1	$(1.9)

(1) See Note 14 for classification of amounts within the condensed consolidated statements of income (loss).

Derivatives Not Designated as Hedging Instruments

		Amount of Pre-tax Gain or (Loss) Recognized in Income on Derivatives [(1)]			
		Three Months Ended September 30,		Nine Months Ended September 30,	
(in Millions)	Location of Gain or (Loss) Recognized in Income on Derivatives	2018	2017	2018	2017
Foreign exchange contracts	Cost of sales and services	$ (1.5)	$ 1.1	$ (10.3)	$ (9.4)
Total		$ (1.5)	$ 1.1	$ (10.3)	$ (9.4)

(1) Amounts represent the gain or loss on the derivative instrument offset by the gain or loss on the hedged item.

Fair Value Measurements
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market participants are defined as buyers or sellers in the principle or most advantageous market for the asset or liability that are independent of the reporting entity, knowledgeable and able and willing to transact for the asset or liability.

Fair Value Hierarchy
We have categorized our assets and liabilities that are recorded at fair value, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets and liabilities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Recurring Fair Value Measurements
The following tables present our fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis in the condensed consolidated balance sheets. During the periods presented there were no transfers between fair value hierarchy levels.

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(in Millions)	September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Derivatives – Foreign exchange[1]	$ 6.1	$ —	$ 6.1	$ —
Derivatives – Interest Rate[1]	0.6	—	0.6	—
Other [2]	21.5	21.5	—	—
Total assets	$ 28.2	$ 21.5	$ 6.7	$ —
Liabilities				
Derivatives – Foreign exchange[1]	$ 4.9	$ —	$ 4.9	$ —
Other [3]	34.6	29.8	4.8	—
Total liabilities	$ 39.5	$ 29.8	$ 9.7	$ —

(in Millions)	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Derivatives – Foreign exchange[1]	$ 6.7	$ —	$ 6.7	$ —
Other [2]	30.1	30.1	—	—
Total assets	$ 36.8	$ 30.1	$ 6.7	$ —
Liabilities				
Derivatives – Foreign exchange[1]	$ 2.3	$ —	$ 2.3	$ —
Other [3]	46.6	38.8	7.8	—
Total liabilities	$ 48.9	$ 38.8	$ 10.1	$ —

(1) See the Fair Value of Derivative Instruments table within this Note for classification on the condensed consolidated balance sheets.
(2) Consists of a deferred compensation arrangement, through which we hold various investment securities, recognized on our balance sheets. Both the asset and liability are recorded at fair value. Asset amounts are included in “Other assets including long-term receivables, net” in the condensed consolidated balance sheets.
(3) Primarily consists of a deferred compensation arrangement recognized on our balance sheets. Both the asset and liability are recorded at fair value. Liability amounts are included in “Other long-term liabilities” in the condensed consolidated balance sheets.

Nonrecurring Fair Value Measurements

The following table presents our fair value hierarchy for those assets and liabilities measured at fair value on a non-recurring basis in the condensed consolidated balance sheets during the periods ended September 30, 2018 and December 31, 2017.

(in Millions)	September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses) (Period Ended September 30, 2018)
Assets					
Impairment of intangibles [1]	$ 3.1	$ —	$ —	$ 3.1	$ (1.8)
Total assets	$ 3.1	$ —	$ —	$ 3.1	$ (1.8)

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(1) We recorded an impairment charge, related to our FMC Agricultural Solutions segment, to write down the carrying value of the generic brand portfolio of approximately $2 million to its fair value.

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

(in Millions)	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses) (Period Ended December 31, 2017)
Assets					
Impairment of Crop Protection intangibles [1]	$ 1,136.1	$ —	$ —	$ 1,136.1	$ (42.1)
Impairment of intangibles [2]	4.3	—	—	4.3	(1.3)
Total assets	$ 1,140.4	$ —	$ —	$ 1,140.4	$ (43.4)

(1) Represents impairment charge to write down certain indefinite-lived intangible assets of the acquired DuPont Crop Protection Business as a result of a triggering event for the United States' enactment of the Act.
(2) We recorded an impairment charge, related to our FMC Agricultural Solutions segment, to write down the carrying value of the generic brand portfolio of approximately $1 million to its fair value.

Note 18: Guarantees, Commitments, and Contingencies
We continue to monitor the conditions that are subject to guarantees and indemnifications to identify whether a liability must be recognized in our financial statements.
Guarantees and Other Commitments
The following table provides the estimated undiscounted amount of potential future payments for each major group of guarantees at September 30, 2018. These guarantees arise during the ordinary course of business from relationships with customers and nonconsolidated affiliates. Non-performance by the guaranteed party triggers the obligation requiring us to make payments to the beneficiary of the guarantee. Based on our experience these types of guarantees have not had a material effect on our consolidated financial position or on our liquidity. Our expectation is that future payment or performance related to the non-performance of others is considered unlikely.

(in Millions)	
Guarantees:	
Guarantees of vendor financing - short-term [1]	$ 37.0
Guarantees of vendor financing - long-term [1]	0.1
Other debt guarantees [2]	4.2
Total	$ 41.3

(1) Represents guarantees to financial institutions on behalf of certain FMC Agricultural Solutions customers for their seasonal borrowing. This short-term amount is recorded within “Guarantees of vendor financing” on the condensed consolidated balance sheets.
(2) These guarantees represent support provided to third-party banks for credit extended to various FMC Agricultural Solutions customers and nonconsolidated affiliates. The liability for the guarantees is recorded at an amount that approximates fair value (i.e. representing the stand-ready obligation) based on our historical collection experience

and a current assessment of credit exposure. We believe the fair value of these guarantees is immaterial. The majority of these guarantees have an expiration date of less than one year.

Excluded from the chart above are parent-company guarantees we provide to lending institutions that extend credit to our foreign subsidiaries. Since these guarantees are provided for consolidated subsidiaries, the consolidated financial position is not affected by the issuance of these guarantees. Also excluded from the chart, in connection with our property and asset sales and divestitures, we have agreed to indemnify the buyer for certain liabilities, including environmental contamination and taxes that occurred prior to the date of sale or provided guarantees to third parties relating to certain contracts assumed by the buyer. Our indemnification or guarantee obligations with respect to these liabilities may be indefinite as to duration and may or may not be subject to a deductible, minimum claim amount or cap. As such, it is not possible for us to predict the likelihood that a claim will be made or to make a reasonable estimate of the maximum potential loss or range of loss. If triggered, we may be able to recover some of the indemnity payments from third parties. We have not recorded any specific liabilities for these guarantees.

Contingencies

A detailed discussion related to our outstanding contingencies, other than as discussed below, can be found in Note 18 to our consolidated financial statements included within our 2017 Form 10-K.

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

Canadian antitrust actions. In 2005, after public disclosures of the U.S. federal grand jury investigation into the hydrogen peroxide industry (which resulted in no charges brought against us) and the filing of various class actions in U.S. federal and state courts, which have all been settled, putative class actions against us and five other major hydrogen peroxide producers were filed in provincial courts in Ontario, Quebec and British Columbia under the laws of Canada. The other five defendants have settled these claims for a total of approximately $20.6 million. On September 28, 2009, the Ontario Superior Court of Justice certified a class of direct and indirect purchasers of hydrogen peroxide from 1994 to 2005. Our motion for leave to appeal the class certification decision was denied in June 2010. The case was largely dormant while the Canadian Supreme Court considered, in different litigation, whether indirect purchasers may recover overcharges in antitrust actions. In October 2013 the Court ruled that such recovery is permissible. Thereafter, the plaintiffs' moved to dismiss certain downstream purchasers (those who purchased products that contain hydrogen peroxide or were made using hydrogen peroxide) from the case and to reduce the class period to November 1, 1998 through December 31, 2003 - thereby eliminating six of the eleven years of the originally certified class period. The Court approved this request. Following an active period of discovery the plaintiffs approached FMC for settlement negotiations in July 2018. The plaintiffs and FMC subsequently reached agreement and signed a settlement agreement on September 27, 2018, providing for a payment of CAD 3.25 million ($2.5 million), which is recorded within "Accrued and other current liabilities" on the condensed consolidated balance sheets, to plaintiffs. This was recorded within "Discontinued operations, net of income taxes" on the condensed consolidated statements of income (loss). Subject to court approval, which is expected, the settlement agreement fully and finally resolved the Canadian litigation.

Note 19: Segment Information

(in Millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue				
FMC Agricultural Solutions	$923.6	$551.8	$3,185.9	$1,665.0
FMC Lithium	112.0	94.4	322.7	234.0
Total	$1,035.6	$646.2	$3,508.6	$1,899.0
Earnings before interest, taxes and depreciation and amortization (EBITDA)				
FMC Agricultural Solutions	$216.2	$137.3	$916.1	$352.7
FMC Lithium	48.6	40.2	150.1	93.7
Corporate and other	(29.7)	(22.4)	(80.5)	(69.5)
Operating profit before the items listed below	$235.1	$155.1	$985.7	$376.9
Depreciation and amortization	(42.4)	(25.1)	(124.7)	(71.2)
Interest expense, net	(33.4)	(18.4)	(101.7)	(51.3)
Restructuring and other (charges) income (1)	(25.9)	(7.1)	(29.2)	(22.3)
Non-operating pension and postretirement (charges) income (2)	1.2	3.6	0.5	12.3
Transaction-related charges (3)	(25.0)	(48.8)	(149.1)	(78.7)
(Provision) benefit for income taxes	(30.1)	11.6	(100.4)	(1.1)
Discontinued operations, net of income taxes	(4.7)	(15.1)	(4.2)	(157.3)
Net income attributable to noncontrolling interests	(2.0)	(0.6)	(7.2)	(1.6)
Net income (loss) attributable to FMC stockholders	$72.8	$55.2	$469.7	$5.7

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(1) See Note 9 of the condensed consolidated financial statements included within this Form 10-Q for details of restructuring and other (charges) income. The following provides the detail of the (charges) income by segment:

(in Millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
FMC Agricultural Solutions	$(22.0)	$(2.2)	$(13.9)	$(7.0)
FMC Lithium	(0.3)	—	(2.4)	(2.7)
Corporate	(3.6)	(4.9)	(12.9)	(12.6)
Restructuring and other (charges) income	$(25.9)	$(7.1)	$(29.2)	$(22.3)

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

(2) Our non-operating pension and postretirement charges (income) are defined as those costs (benefits) related to interest, expected return on plan assets, amortized actuarial gains and losses and the impacts of any plan curtailments or settlements. These are excluded from our segments results and are primarily related to changes in pension plan assets and liabilities which are tied to financial market performance and we consider these costs to be outside our operational performance. We continue to include the service cost and amortization of prior service cost in our Adjusted Earnings results noted above. These elements reflect the current year operating costs to our businesses for the employment benefits provided to active employees.

(3) Charges relate to the expensing of the legal and professional third-party fees associated with acquisitions and separation activities. Amounts represent the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in Millions)	2018	2017	2018	2017
Transaction-related charges				
Acquisition-related charges - DuPont Crop				
Legal and professional fees [1]	$16.9	$48.8	$64.7	$78.7
Inventory fair value amortization [2]	1.3	—	69.6	—
Separation-related charges - FMC Lithium				
Legal and professional fees [1]	$6.8	$—	$14.8	$—
Total Transaction-related charges	$25.0	$48.8	$149.1	$78.7

(1) Represents transaction costs, costs for transitional employees, other acquired employees related costs, and transactional-related costs such as 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 included in “Costs of sales and services” on the condensed consolidated statements of income (loss).

Note 20: Subsequent Events

In March 2017, we announced our intention to separate our FMC Lithium segment (subsequently renamed Livent Corporation, or "Livent") into a publicly traded company. The initial step of the separation, the initial public offering ("IPO") of Livent, closed on October 15, 2018. After completion of the IPO, FMC owned 123 million shares of Livent's common stock, representing approximately 85 percent of the total outstanding shares of Livent's common stock. FMC presently intends to distribute the remaining Livent shares on March 1, 2019. We will continue to consolidate Livent as the FMC Lithium reporting segment until the full separation date. At that time, results of Livent will move to discontinued operations.

In connection with the IPO, we have entered into certain agreements with Livent that govern various interim and ongoing relationships between the parties. These agreements include a separation and distribution agreement, a transition services agreement, a shareholders’ agreement, a tax matters agreement, a registration rights agreement, an employee matters agreement and a trademark license agreement.

Pursuant to the terms of the separation and distribution agreement, on October 18, 2018, we received a net distribution of approximately $320 million from Livent representing the proceeds from the sale of its common stock as part of the

IPO, net of underwriting discounts and commissions, financing fees and other offering related expenses.
On November 5, 2018, we announced a plan to repurchase $200 million in shares by the end of 2018 under our existing share repurchase authorization.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2 of this report contains certain forward-looking statements that are based on our current views and assumptions regarding future events, future business conditions and the outlook for our company based on currently available information.

Whenever possible, we have identified these forward-looking statements by such words or phrases as "will likely result", "is confident that", "expect", "expects", "should", "could", "may", "will continue to", "believe", "believes", "anticipat "forecasts", "estimates", "projects", "potential", "intends" or similar expressions identifying "forward-looking statements" wit the meaning of the Private Securities Litigation Reform Act of 1995, including the negative of those words or phrases. Such forward-looking statements are based on our current views and assumptions regarding future events, future business conditions and the outlook for the company based on currently available information. The forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any results, levels of activity, performance or achievements expressed or implied by any forward-looking statement. These statements are qualified by reference to the section "Forward-Looking Statements" in Part II of our Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 10-K") and to similar disclaimers in all other reports and forms filed with the Securities and Exchange Commission ("SEC"). We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

We specifically decline to undertake any obligation to publicly revise any forward-looking statements that have been made to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles. The preparation of our financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We have described our accounting policies in Note 1 to our consolidated financial statements included in our 2017 10-K. We have reviewed these accounting policies, identifying those that we believe to be critical to the preparation and understanding of our consolidated financial statements. We have reviewed these critical accounting policies with the Audit Committee of our Board of Directors. Critical accounting policies are central to our presentation of results of operations and financial condition and require management to make estimates and judgments on certain matters. We base our estimates and judgments on historical experience, current conditions and other reasonable factors.

The following is a list of those accounting policies that we have deemed most critical to the presentation and understanding of our results of operations and financial condition. See the "Critical Accounting Policies" section in our 2017 10-K for a detailed description of these policies and their potential effects on our results of operations and financial condition.

- Revenue recognition and trade receivables
- Environmental obligations and related recoveries
- Impairment and valuation of long-lived assets and indefinite-lived assets
- Pensions and other postretirement benefits
- Income taxes

On January 1, 2018, ASU 2014-09, Revenue from Contracts with Customers, became effective. See Note 2 for more information. Our revenue recognition and trade receivables critical accounting policy has been updated in order to comply with the accounting standard update.

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. In determining when the control of goods is transferred, we typically assess, 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 for the product order, or in some regions, when delivery to the customer’s requested destination has occurred (regardless of shipping terms). When we perform 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 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 us from a customer for (e.g. sales tax, value added tax, etc.) We record a liability until remitted to the respective taxing authority.

As a part of our customary business practice, we offer a number of sales incentives to our customers including volume discounts and rebates, primarily in our FMC Agricultural Solutions segment. For all such contracts that include any variable consideration, we estimate the variable consideration and factor in such an estimate while determining the transaction price (i.e., the price we expect to be entitled to under the contract). Incentives due to customers are accrued as a reduction of revenue in the same period the related sales are recorded based on the contract terms.

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 our products from distributors through prepayment options. This in turn creates opportunity for distributors to make large prepayments to us for securing the future supply of products to be sold to growers. The intent of such payments is not to receive the provision of finance from FMC. Additionally, 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.

Trade receivables consist of amounts owed from customer sales and are recorded when revenue is recognized. The allowance for trade receivables represents our best estimate of the probable losses associated with potential customer defaults. In developing our allowance for trade receivables, we use a two-stage process which includes calculating a general formula to develop an allowance to appropriately address the uncertainty surrounding collection risk of our entire portfolio and specific allowances for customers where the risk of collection has been reasonably identified either due to liquidity constraints or disputes over contractual terms and conditions.

Our method of calculating the general formula consists of estimating the recoverability of trade receivables based on historical experience, current collection trends, and external business factors such as economic factors, including regional bankruptcy rates, and political factors. Our analysis of trade receivable collection risk is performed quarterly, and the allowance is adjusted accordingly.

We also hold long-term receivables that represent long-term customer receivable balances related to past-due accounts which are not expected to be collected within the current year. Our policy for the review of the allowance for these receivables is consistent with the discussion in the preceding paragraph above on trade receivables. Therefore, on an ongoing basis, we continue to evaluate the credit quality of our long-term receivables utilizing aging of receivables, collection experience and write-offs, as well as existing economic conditions, to determine if an additional allowance is necessary.

RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS AND REGULATORY ITEMS
See Note 2 to the condensed consolidated financial statements included in this Form 10-Q for a discussion of recently adopted accounting guidance and other new accounting guidance.

OVERVIEW

We are a diversified chemical company serving agricultural, consumer and industrial markets globally with innovative solutions, applications and market-leading products. We operate in two distinct business segments: FMC Agricultural Solutions and FMC Lithium. Our FMC Agricultural Solutions segment develops, markets and sells all three major classes of crop protection chemicals: 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. Our FMC Lithium segment manufactures lithium for use in a wide range of lithium products, which are used primarily in energy storage, specialty polymers and chemical synthesis application.

Third Quarter 2018 Highlights

The following are the more significant developments in our businesses during the three months ended September 30, 2018:

- Revenue of $1,035.6 million for the three months ended September 30, 2018 increased $389.4 million or 60 percent versus the same period last year. The increase in revenue was primarily attributable to FMC Agricultural Solutions and the acquisition of the DuPont Crop Protection Business, which was completed in November 2017. A more detailed review of revenue by segment is discussed under the section titled "Results of Operations". On a regional basis, sales in North America increased by 120 percent, sales in Asia increased 84 percent, sales in Latin America increased 31 percent, and sales in Europe, Middle East and Africa increased by 46 percent.
- Our gross margin, excluding transaction-related charges, of $447.5 million increased versus the prior year's third quarter by $181.6 million. Gross margin percent, excluding transaction-related charges, of 43 percent also increased compared to 41 percent in the prior year primarily due to higher margin products within FMC Agricultural Solutions and, to a lesser extent, higher prices in FMC Lithium.
- Selling, general and administrative expenses, excluding transaction-related charges, increased by approximately $78.2 million or 74 percent to $183.9 million primarily due to the acquisition of the DuPont Crop Protection Business, which is being integrated into our FMC Agricultural Solutions segment.
- Research and development expenses of $70.9 million increased $40.7 million or approximately 135 percent. The increase was due to investments in discovery and product development from the state of the art facilities acquired from the DuPont Crop Protection Business Acquisition.
- Adjusted after-tax earnings from continuing operations attributable to FMC stockholders of $134.1 million increased compared to the prior year amount of $95.4 million primarily due to higher results in both FMC Agricultural Solutions and FMC Lithium. See the disclosure of our Adjusted Earnings Non-GAAP financial measurement below, under the section titled "Results of Operations".

Other Highlights

On October 15, 2018, Livent closed on its IPO. After completion of the IPO, FMC owned 123 million shares of Livent's common stock, representing approximately 85 percent of the total outstanding shares of Livent's common stock. FMC presently intends to distribute the remaining Livent shares on March 1, 2019. We will continue to consolidate Livent as the FMC Lithium reporting segment until the full separation date. At that time, results of Livent will move to discontinued operations. As of, and through, September 30, 2018, Livent was wholly owned by us and is reported as FMC Lithium in these condensed consolidated financial statements.

RESULTS OF OPERATIONS

Overview

Our segment operating results are presented based on how we assess operating performance and internally report financial information. For management purposes, we report the operating performance of each of our business segments based on earnings before interest, income taxes, and depreciation and amortization excluding corporate expenses, other income (expense), net and corporate special income (charges).

(in Millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue				
FMC Agricultural Solutions	$923.6	$551.8	$3,185.9	$1,665.0
FMC Lithium	112.0	94.4	322.7	234.0
Total	$1,035.6	$646.2	$3,508.6	$1,899.0
Earnings before interest, taxes and depreciation and amortization (EBITDA)				
FMC Agricultural Solutions	$216.2	$137.3	$916.1	$352.7
FMC Lithium	48.6	40.2	150.1	93.7
Corporate and other	(29.7)	(22.4)	(80.5)	(69.5)
Operating profit before the items listed below	$235.1	$155.1	$985.7	$376.9
Depreciation and amortization	(42.4)	(25.1)	(124.7)	(71.2)
Interest expense, net	(33.4)	(18.4)	(101.7)	(51.3)
Restructuring and other (charges) income (1)	(25.9)	(7.1)	(29.2)	(22.3)
Non-operating pension and postretirement (charges) income (2)	1.2	3.6	0.5	12.3
Transaction-related charges (3)	(25.0)	(48.8)	(149.1)	(78.7)
(Provision) benefit for income taxes	(30.1)	11.6	(100.4)	(1.1)
Discontinued operations, net of income taxes	(4.7)	(15.1)	(4.2)	(157.3)
Net income attributable to noncontrolling interests	(2.0)	(0.6)	(7.2)	(1.6)
Net income (loss) attributable to FMC stockholders (GAAP)	$72.8	$55.2	$469.7	$5.7

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(1) See Note 9 for details of restructuring and other (charges) income. Below provides the detail of the (charges) income by segment:

(in Millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
FMC Agricultural Solutions	$(22.0)	$(2.2)	$(13.9)	$(7.0)
FMC Lithium	(0.3)	—	(2.4)	(2.7)
Corporate	(3.6)	(4.9)	(12.9)	(12.6)
Restructuring and other (charges) income	$(25.9)	$(7.1)	$(29.2)	$(22.3)

(2) Our non-operating pension and postretirement charges (income) are defined as those costs (benefits) related to interest, expected return on plan assets, amortized actuarial gains and losses and the impacts of any plan curtailments or settlements. These are excluded from our segments results and are primarily related to changes in pension plan assets and liabilities which are tied to financial market performance and we consider these costs to be outside our operational performance. We continue to include the service cost and amortization of prior service cost in our Adjusted Earnings results noted above. These elements reflect the current year operating costs to our businesses for the employment benefits provided to active employees.

(3) Charges relate to the expensing of the legal and professional third-party fees associated with acquisitions and separation activities. Amounts represent the following:

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(in Millions)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Transaction-related charges				
Acquisition-related charges - DuPont Crop				
Legal and professional fees [1]	$16.9	$48.8	$64.7	$78.7
Inventory fair value amortization [2]	1.3	—	69.6	—
Separation-related charges - FMC Lithium				
Legal and professional fees [1]	$6.8	$—	$14.8	$—
Total Transaction-related charges	$25.0	$48.8	$149.1	$78.7

(1) Represents transaction costs, costs for transitional employees, other acquired employees related costs, and transactional-related costs such as 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).

The following chart, which is provided to assist the readers of our financial statements, depicts certain after-tax charges (gains). These items are excluded by us in the measures we use to evaluate business performance and determine certain performance-based compensation. These after-tax items are discussed in detail within the “Other results of operations” section that follows. Additionally, the chart below discloses our Non-GAAP financial measure “Adjusted after-tax earnings from continuing operations attributable to FMC stockholders” reconciled from the GAAP financial measure “Net income (loss) attributable to FMC stockholders.” We believe that this measure provides useful information about our operating results to investors. We also believe that excluding the effect of restructuring and other income and charges, non-operating pension and postretirement charges, and certain Non-GAAP tax adjustments from operating results and discontinued operations allows management and investors to compare more easily the financial performance of our underlying businesses from period to period. This measure should not be considered as a substitute for net income (loss) or other measures of performance or liquidity reported in accordance with GAAP.

ADJUSTED EARNINGS RECONCILIATION

(in Millions)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Net income (loss) attributable to FMC stockholders (GAAP)	$72.8	$55.2	$469.7	$5.7
Corporate special charges (income), pre-tax [1]	49.7	52.3	177.8	88.7
Income tax expense (benefit) on Corporate special charges (income) [2]	(10.4)	(17.9)	(40.3)	(30.4)
Corporate special charges (income), net of income taxes	$39.3	$34.4	$137.5	$58.3
Discontinued operations attributable to FMC Stockholders, net of income taxes	4.7	15.2	4.2	157.4
Non-GAAP tax adjustments [3]	17.3	(9.4)	15.4	(2.8)
Adjusted after-tax earnings from continuing operations attributable to FMC stockholders (Non-GAAP)	$134.1	$95.4	$626.8	$218.6

(1) Represents restructuring and other charges (income), non-operating pension and postretirement charges (income) and transaction-related charges.

(2)

The income tax expense (benefit) on Corporate special charges (income) is determined using the applicable rates in the taxing jurisdictions in which the Corporate special charge or income occurred and includes both current and deferred income tax expense (benefit) based on the nature of the non-GAAP performance measure.

(3) We exclude the GAAP tax provision, including discrete items, from the Non-GAAP measure of income, and instead include a Non-GAAP tax provision based upon the annual Non-GAAP effective tax rate. The GAAP tax provision includes certain discrete tax items including, but not limited to: income tax expenses or benefits that are not related to current year ongoing business operations; tax adjustments associated with fluctuations in foreign currency remeasurement of certain foreign operations; certain changes in estimates of tax matters related to prior fiscal years; certain changes in the realizability of deferred tax assets; and changes in tax law which includes the impact of the Act enacted on December 22, 2017. Management believes excluding these discrete tax items assists investors and securities analysts in understanding the tax provision and the effective tax rate related to ongoing operations thereby providing investors with useful supplemental information about FMC's operational performance.

In the discussion below, please refer to our chart titled "Segment Results Reconciliation" within the Results of Operations section. All comparisons are between the periods unless otherwise noted.

Segment Results

For management purposes, segment EBITDA is defined as segment revenue less operating expenses (segment operating expenses consist of costs of sales and services, selling, general and administrative expenses, research and development expenses), excluding depreciation and amortization. We have excluded the following items from segment EBITDA: corporate staff expense, interest income and expense associated with corporate debt facilities and investments, income taxes, gains (or losses) on divestitures of businesses, restructuring and other charges (income), non-operating pension and postretirement charges, investment gains and losses, loss on extinguishment of debt, asset impairments, Last-in, First-out ("LIFO") inventory adjustments, transaction-related charges, and other income and expense items.

Information about how each of these items relates to our businesses at the segment level and results by segment is discussed in Note 19 of the condensed consolidated financial statements included within this Form 10-Q and in Note 19 of our consolidated financial statements in our 2017 Form 10-K.

FMC Agricultural Solutions

(in Millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Segment Revenue	$923.6	$551.8	$3,185.9	$1,665.0
Segment EBITDA	216.2	137.3	916.1	352.7

Three Months Ended September 30, 2018 vs. 2017

Revenue of $923.6 million increased $371.8 million, or approximately 67 percent versus the prior year quarter. The increase was primarily due to the revenue from the DuPont Crop Protection Acquisition, which was completed on November 1, 2017, and contributed approximately $405 million of the increase.

Segment EBITDA of $216.2 million increased by $78.9 million, or approximately 57 percent, compared to the prior year quarter. The increase was primarily driven by the addition of the results from the acquired DuPont Crop Protection Business.

Nine Months Ended September 30, 2018 vs. 2017

Revenue of $3,185.9 million increased $1,520.9 million, or approximately 91 percent versus the prior year period. The increase was primarily due to the revenue from the DuPont Crop Protection Acquisition, which was completed on November 1, 2017, and contributed approximately $1,532 million of the increase.

Segment EBITDA of $916.1 million increased by $563.4 million, or approximately 160 percent, compared to the prior year period. The increase was primarily driven by the addition of the results from the acquired DuPont Crop Protection Business.

Refer to the FMC Agricultural Solutions Pro Forma Financial Results with the DuPont Crop Protection Business section below for further discussion.

FMC Agricultural Solutions Pro Forma Financial Results with the DuPont Crop Protection Business

We began to present pro forma combined results for the FMC Agricultural Solutions segment in the first quarter of 2018. We believe that reviewing our operating results by combining actual and pro forma results for the FMC Agricultural Solutions segment is more useful in identifying trends in, or reaching conclusions regarding, the overall operating performance of this segment. Our pro forma segment information will include adjustments as if the DuPont Crop Protection Business Acquisition had occurred on January 1, 2017. Our pro forma data will also be adjusted for the effects of acquisition accounting but will not include adjustments for costs related to integration activities, cost savings or synergies that might be achieved by the combined businesses. Pro forma amounts to be presented will not necessarily be indicative of what our results would have been had we operated the DuPont Crop Protection Business since January 1, 2017, nor our future results.

FMC Agricultural Solutions Pro Forma Financial Results

(in Millions)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Revenue				
Revenue, FMC Agricultural Solutions, as reported (1)	$923.6	$551.8	$3,185.9	$1,665.0
Revenue, DuPont Crop Protection Business, pro forma (2)	—	328.4	—	1,261.7
Pro Forma Combined, Revenue (3) (4)	$923.6	$880.2	$3,185.9	$2,926.7
EBITDA				
EBITDA, FMC Agricultural Solutions, as reported (1)	$216.2	$137.3	$916.1	$352.7
EBITDA, DuPont Crop Protection Business, pro forma (2)	—	99.1	—	488.2
Pro Forma Combined, EBITDA (3) (4)	$216.2	$236.4	$916.1	$840.9

(1) As reported amounts are the results of operations of FMC Agricultural Solutions, including the results of the DuPont Crop Protection Acquisition from November 1, 2017 onward.

(2) DuPont Crop Protection Business pro forma amounts include the historical results of the DuPont Crop Protection Business, prior to November 1, 2017. These amounts also include adjustments as if the DuPont Crop Protection Business Acquisition had occurred on January 1, 2017, including the effects of acquisition accounting. The pro forma amounts do not include adjustments for expenses related to integration activities, cost savings or synergies that may have been or may be achieved by the combined segment.

(3) The pro forma combined amounts are not necessarily indicative of what the results would have been had we acquired the DuPont Crop Protection Business on January 1, 2017 or indicative of future results.

(4) For the three and nine months ended September 30, 2018, pro forma results and actual results are the same.

FMC Agricultural Solutions Pro Forma Combined Revenue by Region (1) (2)

(in Millions)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
North America (3)	$201.8	$153.2	$842.0	$727.4
Europe, Middle East and Africa (EMEA) (4)	133.5	161.0	826.1	804.9
Latin America (5)	379.0	346.9	737.3	650.2
Asia (6)	209.3	219.1	780.5	744.2
Total FMC Agricultural Solutions Revenue	$923.6	$880.2	$3,185.9	$2,926.7

(1) For the three and nine months ended September 30, 2018, pro forma results and actual results are the same.

(2) Combined revenue by region for the three and nine months ended September 30, 2017 includes the results of the DuPont Crop Protection Business of approximately $328 million and $1,262 million, respectively, assuming the acquisition occurred on January 1, 2017. These amounts include adjustments as if the DuPont Crop Protection Business Acquisition had occurred on January 1, 2017. The pro forma combined revenue by region amounts are not necessarily indicative of what the results would have been had we acquired the DuPont Crop Protection Business on January 1, 2017 or indicative of future results.

(3) Increase in the three and nine months ended September 30, 2018 was due to volume growth of acquired products, strong demand from new herbicide products, and planted acres increasing for wheat, cotton and rice. These were partially offset by unfavorable weather during the period as well as unfavorable impacts from the delayed start to the season.

(4) Decrease in the three months ended September 30, 2018 was due to warm and dry conditions affecting demand for herbicides and fungicides as well as timing of orders in both Belgium and Holland that will push sales into the fourth quarter due to the shift to a direct market access in those countries. Increase in the nine months ended

September 30, 2018 was due to synergies contributing to higher sales particularly in insecticides partially offset by a shorter growing season and lower yields in Northern and Central Europe due to poor weather conditions.

(5) Increase in the three months ended September 30, 2018 was primarily due to strong growth in cotton acreage and market growth in Brazil, partially offset by unfavorable foreign currency impacts. Increase in the nine months ended September 30, 2018 was driven by the volume growth in soybean crop, growth in cotton acreage, and market growth in Brazil and Mexico.

(6) Decrease for the three months ended September 30, 2018 was due to the rationalization of the legacy portfolio in India and unfavorable foreign currency impacts, partially offset by the strong performance in rice and soy insecticides in India. Increase for the nine months ended September 30, 2018 was due to strong performance in rice and soy insecticides in India and growth in rice herbicides in China which was partially offset by extreme drought conditions in Australia and divestment of the legacy portfolio in India.

Pro Forma Combined Results - Three Months Ended September 30, 2018 vs. 2017
Pro forma combined revenue of $923.6 million increased by approximately 5 percent versus the prior year quarter. Refer to the FMC Agricultural Solutions Pro Forma Combined Revenue by Region chart above for further discussion.

Pro forma combined segment EBITDA of $216.2 million decreased approximately 9 percent compared to the prior year quarter. The decrease was primarily driven by higher costs as a percentage of revenue as well as unfavorable foreign currency impacts. Raw material price increases have had a negative impact on results quarter over quarter. This is impacting the chemical industry broadly as the Chinese government has been shutting down industrial parks as part of their environmental program. These shutdowns have limited the supply of certain active ingredients and intermediates, causing shortages of materials, and in certain cases, rising raw material costs. Partially offsetting the decrease was revenue growth as discussed above.

Pro Forma Combined Results - Nine Months Ended September 30, 2018 vs. 2017
Pro forma combined revenue of $3,185.9 million increased by approximately 9 percent versus the prior year period. Refer to the FMC Agricultural Solutions Pro Forma Combined Revenue by Region chart above for further discussion.

Pro forma combined segment EBITDA of $916.1 million increased approximately 9 percent compared to the prior year period. The increase was primarily driven by revenue growth as discussed above. Additionally, costs as a percentage of revenue slightly decreased, which also impacted results positively, due to cost control and synergies as we leveraged our existing sales and back office infrastructure as well as savings across procurement and plant services. These were partially offset by higher raw material costs which have had a negative impact on results year over year. As discussed above, this is impacting the chemical industry broadly as the Chinese government has been shutting down industrial parks as part of their environmental program. So far, we have been able to mitigate and manage the impact on our ability to supply our customer due to our diversified supply chain network.

Outlook
For 2018, full-year segment revenue is expected to be approximately $4.20 billion to $4.26 billion and full-year segment EBITDA is expected to be in the range of $1.20 billion to $1.22 billion. Full-year depreciation and amortization is expected to be approximately $144 million.

FMC Lithium

(in Millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Segment Revenue	$112.0	$94.4	$322.7	$234.0
Segment EBITDA	48.6	40.2	150.1	93.7

Three Months Ended September 30, 2018 vs. 2017
Revenue of $112.0 million increased by approximately 19 percent versus the prior-year quarter, primarily driven by higher volumes particularly in lithium hydroxide. Higher volumes impacted revenue by approximately 17 percent while higher pricing contributed approximately 2 percent to the revenue increase. Foreign currency had minimal impact on the change in revenue.
EBITDA of $48.6 million increased approximately $8 million versus the year ago quarter. The higher volumes and favorable pricing noted above impacted results by approximately $9 million and $1 million, respectively. These were offset by higher overall costs of approximately $2 million. Foreign currency had a minor impact on the change in EBITDA.

Nine Months Ended September 30, 2018 vs. 2017

Revenue of $322.7 million increased by approximately 38 percent versus the prior-year period, driven by higher volumes as a result of the new lithium hydroxide production in China and our higher production in Argentina, and higher prices particularly in lithium hydroxide and butyllithium. Higher volumes impacted revenue by 23 percent and higher pricing contributed 15 percent to the revenue increase. Foreign currency had a minimal impact on the change in revenue.

EBITDA of $150.1 million increased approximately $56 million versus the year ago quarter. The favorable pricing and higher volumes noted above impacted results by approximately $33 million and $25 million, respectively. These were offset by higher overall costs of approximately $2 million. Foreign currency had a minimal impact on the change in EBITDA.

Outlook

Segment EBITDA is expected to be between $193 million and $197 million for the full year of 2018, an increase of 37 percent over 2017 at the mid-point of the range. Full-year depreciation and amortization is expected to be approximately $19 million.

Other Results of Operations

Corporate and other

Corporate and other expenses are included as a component of the line item “Selling, general and administrative expenses” except for LIFO related charges that are included as a component of "Cost of sales and services" on the condensed consolidated statements of income (loss).

Three Months Ended September 30, 2018 vs. 2017

Corporate and other expenses of $29.7 million in the three months ended September 30, 2018 increased by $7.3 million from $22.4 million in the same period in 2017. The increase was primarily driven by negative foreign currency impacts of approximately $6 million, which was mainly due to the foreign exchange impacts on intercompany fund movements which is largely not expected to repeat.

Nine Months Ended September 30, 2018 vs. 2017

Corporate and other expenses of $80.5 million in the nine months ended September 30, 2018 increased by $11.0 million from $69.5 million in the same period in 2017. The increase was primarily driven by negative foreign currency impacts of approximately $6 million as discussed above. Additionally, the nine months ended September 30, 2018 includes approximately $3 million of LIFO expense compared to zero in the prior year period. These were offset by lower corporate shared costs of approximately $2 million.

Depreciation and amortization

Three Months Ended September 30, 2018 vs. 2017

Depreciation and amortization of $42.4 million increased $17.3 million as compared to the third quarter in 2017 of $25.1 million. $18.4 million of the increase was due to the increase in intangible assets and property, plant and equipment acquired as a result of the DuPont Crop Protection Business, offset by a decrease in Corporate depreciation and amortization.

Nine Months Ended September 30, 2018 vs. 2017

Depreciation and amortization of $124.7 million increased $53.5 million as compared to the prior year period of $71.2 million. $52.7 million of the increase was due to the increase in intangible assets and property, plant and equipment acquired as a result of the DuPont Crop Protection Business.

Interest expense, net

Three Months Ended September 30, 2018 vs. 2017

Interest expense, net of $33.4 million increased compared to the third quarter in 2017 of $18.4 million. The increase was driven by interest on the 2017 Term Loan Facility of approximately $8 million. The additional increase of approximately $5 million was due to less interest allocated to discontinued operations in 2018 due to the divestment of the FMC Health and Nutrition business to DuPont in 2017. Interest was previously allocated in accordance with relevant discontinued operations accounting guidance.

Nine Months Ended September 30, 2018 vs. 2017

Interest expense, net of $101.7 million increased compared to the prior year period of $51.3 million. The increase was driven by the addition of the 2017 Term loan Facility which increased interest expense by approximately $35 million. The remaining increase of approximately $15 million was due to less interest allocated to discontinued operations in 2018 due to the divestment of the FMC Health and Nutrition business to DuPont in 2017. Interest was previously allocated in accordance with relevant discontinued operations accounting guidance.

Corporate special charges (income)
Restructuring and other charges (income)

(in Millions)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Restructuring charges and asset disposals	$25.1	$4.4	$106.6	$7.1
Other charges (income), net	0.8	2.7	(77.4)	15.2
Total restructuring and other charges (income)	$25.9	$7.1	$29.2	$22.3

Three Months Ended September 30, 2018 vs. 2017
Restructuring and asset disposal charges in 2018 of $25.1 million primarily consists of restructuring charges within FMC Agricultural Solutions associated with the integration of the DuPont Crop Protection Business. There were $14.9 million of charges incurred as a continuation of our decision to exit the Ewing R&D center. Additionally, $1.8 million of restructuring charges relate to a continuation of charges as a result of the previously disclosed change in our market access model in India. Refer to Note 9 for more information on these restructuring items. Other restructuring charges within FMC Agricultural Solutions as we continue to integrate the acquired DuPont Crop Protection Business totaled to $3.3 million.
Restructuring and asset disposal charges in 2017 of $4.4 million were primarily associated with impairment charges on intangible assets within both FMC Agricultural Solutions and Corporate.
Other charges, net in 2018 of $0.8 million consists of $2.4 million of environmental related charges for remediation activities and $0.6 million of other charges associated with the divestment of a joint venture within FMC Agricultural Solution. These charges are offset by a net gain of $2.2 million on the sale of certain products of our India portfolio to Crystal Crop Protection Limited and a portion of our European herbicide portfolio to Nufarm Limited, required by regulatory authorities as part of closing conditions for the DuPont acquisition. Refer to Note 9 and Note 4 for more information.
Other charges, net in 2017 of $2.7 million were composed of environmental related charges.
Non-operating pension and postretirement charges (income)
The income for the three months ended September 30, 2018 was $1.2 million compared to income of $3.6 million for the three months ended September 30, 2017. The decrease in income was primarily due to a lower expected return on plan assets of $4.0 million. See Note 15 to the condensed consolidated financial statements included in this Form 10-Q for more information.
Transaction-related charges
A detailed description of the transaction-related charges is included in Note 19 to the condensed consolidated financial statements included within this Form 10-Q.

Nine Months Ended September 30, 2018 vs. 2017
Restructuring and asset disposal charges in 2018 of $106.6 million consists of restructuring charges within FMC Agricultural Solutions associated with the integration of the DuPont Crop Protection Business. These charges primarily consisted of $57.2 million of charges related to the change in our market access model in India and $27.5 million of charges due to our decision to exit the Ewing R&D center as discussed above. Refer to Note 9 for more information. Other restructuring charges within FMC Agricultural Solutions as we continue to integrate the acquired DuPont Crop Protection Business totaled to $7.9 million.
Restructuring and asset disposal charges in 2017 were primarily associated with impairment charges of intangible assets within both FMC Agricultural Solutions and Corporate of $4.4 million. Additionally, there was $2.7 million of other Corporate charges.

Other income, net in 2018 of $77.4 million primarily consists of income from the gain on sale of $87.2 million from the divestment of a portion of FMC's European herbicide portfolio to Nufarm Limited and certain products of our India portfolio to Crystal Crop Protection Limited. These divestitures satisfied FMC's commitment to the European Commission and the Competition Commission of India, respectively, for regulatory requirements in order to complete the DuPont Crop Protection Acquisition. The remaining other charges represents $9.2 million of environmental related charges for remediation activities and $0.6 million of other charges associated with the divestment of a joint venture within FMC Agricultural Solution.

Other charges (income), net in 2017 of $15.2 million were primarily related to $8.3 million of environmental related charges. Other charges (income), net also included $4.7 million of exit costs resulting from the termination and deconsolidation of a variable interest entity that was previously consolidated and was part of our FMC Agricultural Solutions segment. Additionally, we had $2.2 million of charges related to Corporate.

Non-operating pension and postretirement charges (income)

The income for the nine months ended September 30, 2018 was $0.5 million compared to income of $12.3 million for the nine months ended September 30, 2017. The decrease in income was primarily due to a lower expected return on plan assets of $12.1 million. See Note 15 to the condensed consolidated financial statements included in this Form 10-Q for more information.

Transaction-related charges

A detailed description of the transaction-related charges is included in Note 19 to the condensed consolidated financial statements included within this Form 10-Q.

Provision for income taxes

A significant amount of our earnings is generated by our foreign subsidiaries (e.g. Singapore and Hong Kong), which tax earnings at lower rates than the United States federal statutory rate. Our future effective tax rates may be materially impacted by numerous items including: a future change in the composition of earnings from foreign and domestic tax jurisdictions, as earnings in foreign jurisdictions are typically taxed at more favorable rates than the United States federal statutory rate; accounting for uncertain tax positions; business combinations; expiration of statute of limitations or settlement of tax audits; changes in valuation allowance; changes in tax law; and the potential decision to repatriate certain future foreign earnings on which United States or foreign withholding taxes have not been previously accrued.

Three Months Ended September 30, 2018 vs. 2017

Provision for income taxes for the three months ended September 30, 2018 was $30.1 million resulting in an effective tax rate of 27.5 percent. Provision for income taxes for the three months ended September 30, 2017 was a benefit of $11.6 million resulting in an effective tax rate of negative 19.6 percent. Additional detail explaining the change in the GAAP effective tax rate is presented in Note 16 to the condensed consolidated financial statements included within this Form 10-Q. Below is a table that adjusts our income and taxes for the effect of corporate special charges and certain tax adjustments. We believe showing this reconciliation of our GAAP to Non-GAAP effective tax rate provides investors with useful supplemental information about our tax rate on the core underlying business.

	Three Months Ended September 30,					
	2018			2017		
(in Millions)	Income (Expense)	Tax Provision (Benefit)	Effective Tax Rate	Income (Expense)	Tax Provision (Benefit)	Effective Tax Rate
GAAP - Continuing operations	$109.6	$ 30.1	27.5 %	$59.3	$ (11.6)	(19.6)%
Corporate special charges	49.7	10.4		52.3	17.9	
Tax adjustments [1]		(17.3)			9.4	
Non-GAAP - Continuing operations	$159.3	$ 23.2	14.6 %	$111.6	$ 15.7	14.1 %

(1) Refer to Note 3 of the Adjusted Earnings Reconciliation table within this section of this Form 10-Q for an explanation of tax adjustments.

The primary drivers for the increase in the year-to-date effective tax rate for 2018 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.

Nine Months Ended September 30, 2018 vs. 2017

Provision for income taxes for the nine months ended September 30, 2018 was $100.4 million resulting in an effective tax rate of 17.3 percent. Provision for income taxes for the nine months ended September 30, 2017 was $1.1 million resulting in an effective tax rate of 0.7 percent. Additional detail explaining the change in the GAAP effective tax rate is presented in Note 16 to the condensed consolidated financial statements included within this Form 10-Q. Below is a table that adjusts our income and taxes for the effect of corporate special charges and certain tax adjustments. We believe showing this reconciliation of our GAAP

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to Non-GAAP effective tax rate provides investors with useful supplemental information about our tax rate on the core underlying business.

	Nine Months Ended September 30,					
	2018			2017		
(in Millions)	Income (Expense)	Tax Provision (Benefit)	Effective Tax Rate	Income (Expense)	Tax Provision (Benefit)	Effective Tax Rate
GAAP - Continuing operations	$581.5	$ 100.4	17.3 %	$165.7	$ 1.1	0.7 %
Corporate special charges	177.8	40.3		88.7	30.4	
Tax adjustments [(1)]		(15.4)			2.8	
Non-GAAP - Continuing operations	$759.3	$ 125.3	16.5 %	$254.4	$ 34.3	13.5 %

(1) Refer to Note 3 of the Adjusted Earnings Reconciliation table within this section of this Form 10-Q for an explanation of tax adjustments.

The primary drivers for the increase in the year-to-date effective tax rate for 2018 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.

Discontinued operations, net of income taxes

Our discontinued operations, in periods up to its sale on November 1, 2017, represent the results of our discontinued FMC Health and Nutrition as well as adjustments to retained liabilities from other previously discontinued operations. The primary liabilities retained include environmental liabilities, other postretirement benefit liabilities, stock compensation, self-insurance, long-term obligations related to legal proceedings and historical restructuring activities.

Three Months Ended September 30, 2018 vs. 2017

Discontinued operations, net of income taxes representing a loss of $4.7 million for the three months ended September 30, 2018 increased compared to a loss of $15.1 million for the three months ended September 30, 2017 primarily due to a $16.3 million, net of tax, environmental remediation charge for one of our sites in the prior period. Additionally, the 2017 period included results of our discontinued FMC Health and Nutrition segment. Refer to Note 11 to the condensed consolidated financial statements included within this Form 10-Q for further information.

Nine Months Ended September 30, 2018 vs. 2017

Discontinued operations, net of income taxes representing loss of $4.2 million for the nine months ended September 30, 2018 increased compared to a loss of $157.3 million for the nine months ended September 30, 2017. The results for the nine months ended September 30, 2017 include an impairment charge of approximately $168 million ($148 million, net of tax) to write down our Omega-3 business to its estimated fair value less cost to sell. Refer to Note 11 to the condensed consolidated financial statements included within this Form 10-Q for further information.

Net income (loss) attributable to FMC stockholders

Three Months Ended September 30, 2018 vs. 2017

Net income attributable to FMC stockholders increased to $72.8 million from $55.2 million in the prior-year quarter. The increase was primarily driven by higher earnings as a result of the DuPont Crop Protection Business, which was completed on November 1, 2017.

Nine Months Ended September 30, 2018 vs. 2017

Net income attributable to FMC stockholders increased to $469.7 million from income of $5.7 million in the prior-year period. The increase was primarily due to the impairment charge, associated with our Omega-3 business, which was recorded to discontinued operations in 2017 as discussed above. The increase was also driven by higher earnings as a result of the DuPont Crop Protection Business, which was completed on November 1, 2017.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at September 30, 2018 and December 31, 2017, were $176.5 million and $283.0 million, respectively. Of the cash and cash equivalents balance at September 30, 2018, $168.6 million were held by our foreign subsidiaries. The cash held by foreign subsidiaries for permanent reinvestment is generally used to finance the subsidiaries' operating activities and future foreign investments. We have not provided additional income taxes for any additional outside basis differences inherent in our investments in subsidiaries because the investments are essentially permanent in duration or we have concluded that no additional tax liability will arise upon disposal. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in these entities (i.e., basis difference in excess of that subject to the one-time transition tax) is not practicable or in process and not yet complete. We are still in the process of analyzing the impact of the Act on our indefinite reinvestment assertion.

Pursuant to the terms of the separation and distribution agreement, on October 18, 2018, we received a net distribution of approximately $320 million from Livent representing the proceeds from the sale of its common stock as part of the IPO, net of underwriting discounts and commissions and other offering related expenses. On October 31, 2018, we used $150 million of those proceeds to further pay down term loan debt. This increases our cumulative debt reduction this year to approximately $600 million.

At September 30, 2018, we had total debt of $2,742.7 million as compared to $3,185.6 million at December 31, 2017. Total debt included $2,593.3 million and $2,993.0 million of long-term debt (excluding current portions of $83.6 million and $101.2 million) at September 30, 2018 and December 31, 2017, respectively. As of September 30, 2018, we were in compliance with all of our debt covenants. See Note 10 in the condensed consolidated financial statements included in this Form 10-Q for further details.

Short-term debt, which consists of borrowings under our commercial paper program as well as short-term foreign borrowings, decreased from $192.6 million at December 31, 2017 to $149.4 million at September 30, 2018.

Our commercial paper program allows us to borrow at rates generally more favorable than those available under our credit facility. We have used proceeds from the commercial paper program for general corporate purposes. At September 30, 2018, we had no borrowings under the commercial paper program.

Statement of Cash Flows

Cash provided (required) by operating activities of continuing operations was $460.9 million and $272.5 million for the nine months ended September 30, 2018 and 2017, respectively.

The table below presents the components of net cash provided (required) by operating activities of continuing operations.

(in Millions)	Nine Months Ended September 30,	
	2018	2017
Income from continuing operations before equity in (earnings) loss of affiliates, non-operating pension and postretirement charges (income), interest expense, net and income taxes	$682.6	$204.5
Corporate special charges and depreciation and amortization (1)	302.5	159.9
Operating income before depreciation and amortization (Non-GAAP)	$985.1	$364.4
Change in trade receivables, net (2)	91.7	286.8
Change in inventories (3)	(110.5)	(108.1)
Change in accounts payable (4)	92.7	104.6
Change in accrued customer rebates (5)	304.4	123.6
Change in advance payments from customers (6)	(350.0)	(233.6)
Change in all other operating assets and liabilities (7)	(201.4)	(92.7)
Cash basis operating income (Non-GAAP)	$812.0	$445.0
Restructuring and other spending (8)	$(17.0)	$(4.2)
Environmental spending, continuing, net of recoveries (9)	(9.2)	(11.5)

Pension and other postretirement benefit contributions [10]	(34.1)	(51.1)
Net interest payments [11]	(98.4)	(57.6)
Tax payments, net of refunds [11]	(103.3)	(12.9)
Transactional-related legal and professional fees [12]	(89.1)	(35.2)
Cash provided (required) by operating activities of continuing operations	$460.9	$272.5

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(1) Represents the sum of corporate special charges and depreciation and amortization.

(2) The change in cash flows related to trade receivables in 2018 was primarily due to receivable build from the acquired DuPont Crop Protection Business as we did not acquire any receivables as part of the transaction. Additionally, timing had an impact as collection timing is more pronounced in our FMC Agricultural Solutions business where sales, particularly in Brazil, have terms significantly longer than the rest of our businesses. Additionally, timing of collection is impacted as amounts for both periods include carry-over balances remaining to be collected in Latin America, where collection periods are measured in months rather than weeks. During the nine months ended September 30, 2018, we collected approximately $617 million of receivables in Brazil. A significant portion of the collections in Brazil are coming from those accounts that were past due at the start of the year, improving the quality of the remaining receivable balance.

(3) Inventory changes and the seasonal nature of the business within the different hemispheres are adjusted accordingly to take into consideration the change in market conditions primarily in FMC Agricultural Solutions.

(4) The change in cash flows related to accounts payable is primarily due to payable build from the acquired DuPont Crop Protection Business as we did not acquire any payables as part of the transaction, as well as timing of payments made to suppliers and vendors.

(5) These rebates are associated with our FMC Agricultural Solutions segment in North America and Brazil and generally settle in the fourth quarter of each year. The changes year over year are associated with the mix in sales eligible for rebates and incentives in 2018 compared to 2017 and timing of rebate payments. Additionally, the change in accrued rebates for 2018 was primarily due to build from the acquired DuPont Crop Protection Business as we did not acquire any accrued rebates as part of the transaction.

(6) Advance payments are primarily associated with our FMC Agricultural Solutions business within North America and these payments are received in the fourth quarter of each year and recorded as deferred revenue on the balance sheet at December 31. Revenue associated with advance payments is recognized, generally in the first half of each year, as shipments are made and control to the customer takes place.

(7) Changes in all periods presented primarily represent timing of payments associated with all other operating assets and liabilities, including guarantees issued to vendors under our vendor finance program. Additionally, the 2018 period includes the effects of the unfavorable contracts amortization of approximately $66 million.

(8) See Note 9 in our condensed consolidated financial statements included in this Form 10-Q for further details.

(9) Included in the period presented are environmental charges for environmental remediation at our operating sites of $9.2 million and $8.3 million, respectively. The amounts in 2018 will be spent in future years. The amounts represent environmental remediation spending at our operating sites which were recorded against pre-existing reserves, net of recoveries.

(10) There were $30.0 million in voluntary contributions to our U.S. qualified defined benefit plan in the periods presented in 2018 and $44.0 million in 2017.

(11) Amounts shown in the chart represent net payments of our continuing operations. Net interest payments of $15.1 million and tax payments, net of refunds of $8.1 million were allocated to discontinued operations for the nine months ended September 30, 2017.

(12) 2018 activity represents payments for legal and professional fees primarily associated with the DuPont's Crop Protection Business Acquisition. See Note 4 to the condensed consolidated financial statements included in this Form 10-Q for more information.

Cash provided (required) by operating activities of discontinued operations was $(46.9) million and $47.0 million for the nine months ended September 30, 2018 and 2017, respectively.

Cash provided (required) by operating activities of discontinued operation is directly related to environmental, other postretirement benefit liabilities, stock compensation, self-insurance, long-term obligations related to legal proceedings and historical restructuring activities. Amounts in 2017 also include operating activities related to our discontinued FMC Health and Nutrition segment.

Cash provided (required) by investing activities of continuing operations was $(22.5) million and $(70.0) million for the nine months ended September 30, 2018 and 2017, respectively.

The decrease in cash required during the nine months ended September 30, 2018, as compared to the same period in 2017 was primarily due to proceeds from the sales of our product portfolios of approximately $88 million that were required to complete the DuPont Crop Protection Business Acquisition, offset by higher capital expenditure spending in 2018 as well as incremental capitalizable corporate level spending associated with the implementation of a new SAP system.

Cash provided (required) by investing activities of discontinued operations was $(15.0) million and $20.2 million for the nine months ended September 30, 2018 and 2017.

Cash required by investing activities of discontinued operations for the nine months ended September 30, 2018 represents the working capital payment associated with the divestiture of FMC Health and Nutrition. Cash provided by investing activities of discontinued operations for the nine months ended September 30, 2017 includes proceeds from the sale of the Omega-3 business for $38.0 million, partially offset by capital expenditures of FMC Health and Nutrition.

Cash provided (required) by financing activities was $(485.5) million and $(244.3) million for the nine months ended September 30, 2018 and 2017, respectively.

The change period over period in financing activities is partially due to higher repayments of long-term debt in the current period of approximately $100 million compared to the prior-year period. Additionally, there were no proceeds of borrowings of long-term debt in the current period compared to $103.3 million in the prior period.

Other potential liquidity needs

Our cash needs outside of the DuPont Crop Protection Business related integration expenses for 2018 as well as costs to separate FMC Lithium include operating cash requirements, capital expenditures, scheduled mandatory payments of long-term debt, dividend payments, share repurchases, contributions to our pension plans, environmental and asset retirement obligation spending and restructuring. We plan to meet our liquidity needs through available cash, cash generated from operations, commercial paper issuances and borrowings under our committed revolving credit facility. At September 30, 2018, our remaining borrowing capacity under our credit facility was $1,298.3 million (which includes borrowing capacity under our commercial paper program).

Projected 2018 capital expenditures as well as expenditures related to contract manufacturers are expected to be approximately $225 million, at the midpoint of the range, primarily driven by the lithium expansion as well as expenditures from the recently acquired DuPont Crop Protection Business. Additionally, corporate level spending includes approximately $70 million associated with the two-year implementation of a new SAP system.

As a result of the United States' enactment of the Act, we will pay a transition tax of $202.7 million which is payable over the next eight years.

Projected 2018 spending includes approximately $60 million to $65 million of net environmental remediation spending. This spending does not include expected spending on capital projects relating to environmental control facilities or expected spending for environmental compliance costs, which we will include as a component of costs of sales and services to the condensed consolidated statements of income (loss) since these amounts are not covered by established reserves. Capital spending to expand, maintain or replace equipment at our production facilities may trigger requirements for upgrading our environmental controls, which may increase our spending for environmental controls over the foregoing projections.

In order to reduce future funding volatility in our U.S. qualified defined benefit pension plan, we have made voluntary cash contributions of $30.0 million during 2018. These contributions are in excess of the minimum requirements. We do not expect to make any further contributions to our U.S. defined benefit pension plan during 2018.

For the nine months ended September 30, 2018 and 2017, we paid dividends of $66.9 million and $66.6 million, respectively. On October 18, 2018, we paid dividends totaling $22.3 million to our shareholders of record as of September 28, 2018. This amount is included in “Accrued and other liabilities” on the condensed consolidated balance sheet as of September 30, 2018.

During the nine months ended September 30, 2018, no shares were repurchased under the publicly announced repurchase program. At September 30, 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 plan to repurchase $200 million in shares by December 31, 2018 as part of the repurchase program. 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.

Commitments and Contingencies

See Note 18 to the condensed consolidated financial statements included in this Form 10-Q.

Contractual Commitments

Information related to our contractual commitments at December 31, 2017 can be found in a table included within Part II, Item 7 of our 2017 Form 10-K. There have been no significant changes to our contractual commitments during the nine months ended September 30, 2018.

Climate Change

A detailed discussion related to climate change can be found in Part II, Item 7 of our 2017 Form 10-K.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Fair Value Measurements
See Note 17 to the condensed consolidated financial statements in this Form 10-Q for additional discussion surrounding our fair value measurements.

DERIVATIVE FINANCIAL INSTRUMENTS AND MARKET RISKS
Our earnings, cash flows, and financial position are exposed to market risks relating to fluctuations in commodity prices, interest rates and foreign currency exchange rates. Our policy is to minimize exposure to our cash flow over time caused by changes in commodity, interest and currency exchange rates. To accomplish this, we have implemented a controlled program of risk management consisting of appropriate derivative contracts entered into with major financial institutions.
The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market rates and prices. The range of changes chosen reflects our view of changes that are reasonably possible over a one-year period. Market-value estimates are based on the present value of projected future cash flows considering the market rates and prices chosen.
At September 30, 2018, our financial instrument position was a net asset of $1.8 million compared to a net asset of $4.4 million at December 31, 2017. The change in the net financial instrument position was primarily due to change in exchange rates.
Since our risk management programs are generally highly effective, the potential loss in value for each risk management portfolio described below would be largely offset by changes in the value of the underlying exposure.
Commodity Price Risk
Energy costs are diversified among electricity and natural gas. We attempt to mitigate our exposure to increasing energy costs by hedging the cost of future deliveries of natural gas and electricity. To analyze the effect of changing energy prices, we perform a sensitivity analysis in which we assume an instantaneous 10 percent change in energy market prices from their levels at September 30, 2018 and December 31, 2017, with all other variables (including interest rates) held constant. Note, as of September 30, 2018 and December 31, 2017, we had no open commodity contracts. As a result, there was no sensitivity analysis performed over commodity price risk for the periods presented.
Foreign Currency Exchange Rate Risk
The primary currencies for which we have exchange rate exposure are the U.S. dollar versus the Euro, the U.S. dollar versus the Chinese yuan, the U.S. dollar versus the Brazilian real and the U.S. dollar versus the Argentine peso. Foreign currency debt and foreign exchange forward contracts and options are used in countries where we do business, thereby reducing our net asset exposure. Foreign exchange forward contracts and options are also used to hedge firm and highly anticipated foreign currency cash flows.
To analyze the effects of changing foreign currency rates, we have performed a sensitivity analysis in which we assume an instantaneous 10 percent change in the foreign currency exchange rates from their levels at September 30, 2018 and December 31, 2017, with all other variables (including interest rates) held constant.

(in Millions)	Net Asset / (Liability) Position on Condensed Consolidated Balance Sheets	10% Strengthening	10% Weakening
Net asset (liability) position at September 30, 2018	$1.2	$29.3	$(30.3)
Net asset (liability) position at December 31, 2017	$4.4	$10.8	$(3.2)

Interest Rate Risk
One of the strategies that we can use to manage interest rate exposure is to enter into interest rate swap agreements. In these agreements, we agree to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated on an agreed-upon notional principal amount. In the quarter ended September 30, 2018, we had outstanding contracts in place to swap portions of our variable-rate debt to fixed-rate debt with an aggregate notional value of $200.0 million. There were no interest rate swap agreements as of December 31, 2017.
To analyze the effects of changing interest rates, we have performed a sensitivity analysis in which we assume an instantaneous one percent change in the interest rates from their levels at September 30, 2018, with all other variables

held constant.

(in Millions)	Net Asset / (Liability) Position on Condensed Consolidated Balance Sheets	1% Increase	1% Decrease
Net asset (liability) position at September 30, 2018	$0.6	$3.5	$(2.4)

Our debt portfolio, at September 30, 2018, is composed of 50 percent fixed-rate debt and 50 percent variable-rate debt. The variable-rate component of our debt portfolio principally consists of borrowings under our 2017 Term Loan Facility, 2014 Term Loan Facility, Revolving Credit Facility, commercial paper program, variable-rate industrial and pollution control revenue bonds, and amounts outstanding under foreign subsidiary credit lines. Changes in interest rates affect different portions of our variable-rate debt portfolio in different ways.
Based on the variable-rate debt in our debt portfolio at September 30, 2018, a one percentage point increase in interest rates then in effect would have increased gross interest expense by $10.3 million and a one percentage point decrease in interest rates then in effect would have decreased gross interest expense by $10.3 million for the nine months of September 30, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is provided in “Derivative Financial Instruments and Market Risks,” under ITEM 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Based on management’s evaluation (with the participation of the Company’s Chief Executive Officer and Chief Financial Officer), the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2018, the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to provide reasonable assurance that information required to be disclosed by the Company in reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Change in Internal Controls. There have been no changes in internal control over financial reporting that occurred during the quarter ended September 30, 2018, that materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
FMC Corporation:

Results of Review of Interim Financial Information
We have reviewed the condensed consolidated balance sheet of FMC Corporation and subsidiaries (the Company) as of September 30, 2018, the related condensed consolidated statements of income (loss) and the condensed consolidated statements of comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2018 and 2017, the related condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2018 and 2017, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.
We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2017, and the related consolidated statements of income (loss), comprehensive income (loss), changes in equity, and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.
Basis for Review Results
This consolidated interim financial information is the responsibility of the Company’s management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP
Philadelphia, Pennsylvania
November 6, 2018

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other matters. For additional discussion of developments in the legal proceedings disclosed in Part I, Item 3 of our 2017 Form 10-K, see Note 12 and 18 to the condensed consolidated financial statements included within this Form 10-Q.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A "Risk Factors" of our 2017 Form 10-K filed with the U.S. Securities and Exchange Commission (the “SEC”) for the fiscal year ended December 31, 2017 and the Company’s other filings with the SEC, which are available at www.sec.gov and on the Company’s website at www.fmc.com.

Forward-Looking Information

We wish to caution readers not to place undue reliance on any forward-looking statements contained herein, which speak only as of the date made. We specifically decline to undertake any obligation to publicly revise any forward-looking statements that have been made to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
ISSUER PURCHASES OF EQUITY SECURITIES

			Publicly Announced Program		
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased	Total Dollar Amount Purchased	Maximum Dollar Value of Shares that May Yet be Purchased
July 1-31, 2018	3,579	$ 89.25	—	$ —	$ 238,779,078
August 1-31, 2018	—	—	—	—	238,779,078
September 1-30, 2018	—	—	—	—	238,779,078
Total Q3 2018	3,579	$ 89.25	—	$ —	$ 238,779,078

During the nine months ended September 30, 2018, we did not repurchase any shares under the publicly announced repurchase program. At September 30, 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.

ITEM 5. OTHER INFORMATION
None.
ITEM 6. EXHIBITS

10.1	Amendment No. 1, dated September 28, 2018, to the Second Amended and Restated Credit Agreement, dated as of May 2, 2017, among FMC Corporation, certain subsidiaries of FMC Corporation from time to time party thereto as borrowers, Citibank, N.A., as Administrative Agent, and each lender and issuing bank from time to time party thereto (incorporated herein by reference to Exhibit 10.1 to FMC Corporation's Current Report on Form 8-K, filed on October 3, 2018)
10.2	Amendment No. 1, dated September 28, 2018, to the Term Loan Agreement, dated as of May 2, 2017, among FMC Corporation, certain subsidiaries of FMC Corporation from time to time party thereto as borrowers, Citibank, N.A., as Administrative Agent, each lender from time to time party thereto and the other parties thereto (incorporated herein by reference to Exhibit 10.2 to FMC Corporation's Current Report on Form 8-K, filed on October 3, 2018)
10.3	Amendment No. 4, dated September 28, 2018, to the Term Loan Agreement, dated as of October 10, 2014, among FMC Corporation, certain subsidiaries of FMC Corporation from time to time party thereto as borrowers, Citibank, N.A., as Administrative Agent, each lender from time to time party thereto and the other parties thereto (incorporated herein by reference to Exhibit 10.3 to FMC Corporation's Current Report on Form 8-K, filed on October 3, 2018)
15	Awareness Letter of KPMG LLP
31.1	Chief Executive Officer Certification
31.2	Chief Financial Officer Certification
32.1	CEO Certification of Quarterly Report

32.2	CFO Certification of Quarterly Report
101	Interactive Data File

SIGNATURES

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

FMC CORPORATION
(Registrant)

By:	/s/ ANDREW D. SANDIFER Andrew D. Sandifer Executive Vice President and Chief Financial Officer

Date: November 6, 2018

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