ECOLAB INC.
Form 10-Q
May 02, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from to

Commission File
No. 1-9328

ECOLAB INC.

(Exact name of registrant as specified in its charter)

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

1 Ecolab Place, St. Paul, Minnesota 55102

(Address of principal executive offices)(Zip Code)

1-800-232-6522

(Registrant's telephone number, including area code)

(Not applicable)

(Former name, former address and former fiscal year,

if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 par value	ECL	New York Stock Exchange, Inc.
2.625% Euro Notes due 2025	ECL 25	New York Stock Exchange, Inc.
1.000% Euro Notes due 2024	ECL 24	New York Stock Exchange, Inc.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

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

The number of shares of each of the registrant's classes of Common Stock outstanding as of March 31, 2019: 288,242,150 shares, par value $1.00 per share.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

	First Quarter Ended March 31	
(millions, except per share amounts)	2019	2018
Product and equipment sales	$2,886.3	$2,859.6
Service and lease sales	619.1	611.3
Net sales	3,505.4	3,470.9
Product and equipment cost of sales	1,717.1	1,696.2
Service and lease cost of sales	379.6	376.1
Cost of sales (including special charges (a))	2,096.7	2,072.3
Selling, general and administrative expenses	1,001.2	1,018.3
Special (gains) and charges	40.3	26.0
Operating income	367.2	354.3
Other (income) expense	(21.2)	(19.4)
Interest expense, net (b)	49.4	56.4
Income before income taxes	339.0	317.3
Provision for income taxes	38.6	69.1
Net income including noncontrolling interest	300.4	248.2
Net income attributable to noncontrolling interest	3.9	0.9
Net income attributable to Ecolab	$296.5	$247.3
Earnings attributable to Ecolab per common share		
Basic	$ 1.03	$ 0.86
Diluted	$ 1.01	$ 0.84
Weighted-average common shares outstanding		
Basic	288.2	288.6
Diluted	292.3	292.7

(a) Cost of sales includes special (gains) and charges of $3.6 in the first quarter of 2019, which is recorded in product and equipment cost of sales.

(b) Interest expense, net includes special (gains) and charges of $0.2 in the first quarter of 2019.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

	First Quarter Ended March 31	
(millions)	2019	2018
Net income including noncontrolling interest	$300.4	$248.2
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments		
Foreign currency translation	105.1	115.6
Gain (loss) on net investment hedges	(6.6)	(26.2)
	98.5	89.4
Derivatives and hedging instruments	(5.6)	(2.1)
Pension and postretirement benefits		
Amortization of net actuarial loss and prior service costs included in net periodic pension and postretirement costs	(4.0)	0.3
	(4.0)	0.3
Subtotal	88.9	87.6
Total comprehensive income, including noncontrolling interest	389.3	335.8
Comprehensive income attributable to noncontrolling interest	4.8	3.4
Comprehensive income attributable to Ecolab	$384.5	$332.4

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

CONSOLIDATED BALANCE SHEET

(unaudited)

(millions, except per share amounts)	March 31 2019	December 31 2018
ASSETS		
Current assets		
Cash and cash equivalents	$79.0	$114.7
Accounts receivable, net	2,691.6	2,662.5
Inventories	1,645.6	1,546.4
Other current assets	334.8	354.1
Total current assets	4,751.0	4,677.7
Property, plant and equipment, net	3,878.6	3,836.0
Goodwill	7,324.2	7,078.0
Other intangible assets, net	3,877.3	3,797.7
Operating lease assets	570.9	-
Other assets	525.6	685.1
Total assets	$20,927.6	$20,074.5
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debt	$1,132.3	$743.6
Accounts payable	1,237.7	1,255.6
Compensation and benefits	478.2	579.7
Income taxes	89.6	100.6
Other current liabilities	1,218.2	1,006.1
Total current liabilities	4,156.0	3,685.6
Long-term debt	6,008.2	6,301.6
Postretirement health care and pension benefits	942.3	944.3
Deferred income taxes	792.3	764.6
Operating lease liabilities	412.2	-
Other liabilities	349.7	324.8
Total liabilities	12,660.7	12,020.9
Commitments and contingencies (Note 17)		
Equity (a)		
Common stock	358.2	357.0
Additional paid-in capital	5,731.0	5,633.2
Retained earnings	9,131.8	8,909.5
Accumulated other comprehensive loss	(1,734.9)	(1,761.7)
Treasury stock	(5,265.4)	(5,134.8)
Total Ecolab shareholders’ equity	8,220.7	8,003.2
Noncontrolling interest	46.2	50.4
Total equity	8,266.9	8,053.6
Total liabilities and equity	$20,927.6	$20,074.5

(a) Common stock, 800.0 shares authorized, $1.00 par value per share, 288.2 shares outstanding at March 31, 2019 and 287.7 shares outstanding at December 31, 2018. Shares outstanding are net of treasury stock.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(millions)	First Quarter Ended March 31 2019	2018
OPERATING ACTIVITIES		
Net income including noncontrolling interest	$300.4	$248.2
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	159.0	150.9
Amortization	79.8	80.2
Deferred income taxes	(5.0)	13.3
Share-based compensation expense	32.2	33.7
Pension and postretirement plan contributions	(19.0)	(23.0)
Pension and postretirement plan expense	4.9	8.6
Restructuring charges, net of cash paid	16.3	(7.7)
Other, net	6.4	4.9
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	8.0	33.9
Inventories	(83.0)	(77.2)
Other assets	5.9	(1.0)
Accounts payable	(35.3)	40.4
Other liabilities	(92.5)	(18.0)
Cash provided by operating activities	378.1	487.2
INVESTING ACTIVITIES		
Capital expenditures	(187.0)	(203.3)
Property and other assets sold	1.4	0.5
Acquisitions and investments in affiliates, net of cash acquired	(281.8)	(76.5)
Divestiture of businesses	-	9.4
Settlement of net investment hedges	-	14.1
Other, net	(10.0)	-
Cash used for investing activities	(477.4)	(255.8)
FINANCING ACTIVITIES		
Net issuances of commercial paper and notes payable	487.9	354.3
Long-term debt repayments	(400.3)	(300.6)
Reacquired shares	(131.4)	(215.1)
Dividends paid	(141.4)	(123.4)
Exercise of employee stock options	67.7	28.4
Acquisition related liabilities and contingent consideration	-	(8.6)
Cash used for financing activities	(117.5)	(265.0)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1.8	(2.3)
Decrease in cash, cash equivalents and restricted cash	(215.0)	(35.9)

Cash, cash equivalents and restricted cash, beginning of period (a)	294.0	211.4
Cash, cash equivalents and restricted cash, end of period (b)	$79.0	$175.5

(a) Restricted cash was $179.3 as of December 31, 2018 and included in Other assets on the Consolidated Balance Sheet.
(b) There was no restricted cash as of March 31, 2019 and 2018.

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

CONSOLIDATED STATEMENT OF EQUITY

(unaudited)

	Ecolab Shareholders						
(millions, except shares and per share amounts)	Common Stock	Additional Paid-in Capital	Retained Earnings	OCI (Loss)	Treasury Stock	Ecolab Shareholders' Equity	Non-Co Interest
Balance, December 31, 2017	$354.7	$5,435.7	$8,011.6	$(1,643.4)	$(4,575.0)	$7,583.6	$70.2
New accounting guidance adoption (a)			(43.6)			(43.6)	
Net income			247.3			247.3	0.9
Comprehensive income (loss) activity				85.1		85.1	2.5
Cash dividends declared (b)			(118.3)			(118.3)	(4.7)
Stock options and awards	0.8	60.8			0.4	62.0	
Reacquired shares					(215.1)	(215.1)	
Balance, March 31, 2018	$355.5	$5,496.5	$8,097.0	$(1,558.3)	$(4,789.7)	$7,601.0	$68.9
Balance, December 31, 2018	$357.0	$5,633.2	$8,909.5	$(1,761.7)	$(5,134.8)	$8,003.2	$50.4
New accounting guidance adoption (c)			58.4	(61.2)		(2.8)	
Net income			296.5			296.5	3.9
Comprehensive income (loss) activity				88.0		88.0	0.9
Cash dividends declared (b)			(132.6)			(132.6)	(9.0)
Stock options and awards	1.2	97.8			0.8	99.8	
					(131.4)	(131.4)	

Reacquired shares							
Balance, March 31, 2019	$358.2	$5,731.0	$9,131.8	$(1,734.9)	$(5,265.4)	$8,220.7	$46.2

(a) Upon adoption of ASU 2016-16, Intra-Entity Transfers of Assets Other than Inventory, the Company recorded an adjustment to retained earnings representing the write-off of income tax effects that had been deferred from past transactions and the recording of deferred tax assets which previously were not allowed to be recognized.
(b) Dividends declared per common share were $0.460 and $0.410 in the first quarter of 2019 and 2018, respectively.
(c) Upon adoption of ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, the Company reclassified stranded tax effects resulting from the Tax Cut and Jobs Act from accumulated other comprehensive income to retained earnings. Also, upon adoption of ASU 2016-02, Leases (Topic 842), the Company has established right-of-use assets and lease liabilities for operating leases and the cumulative effect of applying the standard is recognized to retained earnings at the beginning of the period adopted.

See Note 18 for additional information regarding adoption of new accounting guidance.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. CONSOLIDATED FINANCIAL INFORMATION

The unaudited consolidated financial information for the first quarter ended March 31, 2019 and 2018 reflect, in the opinion of company management, all adjustments necessary for a fair statement of the financial position, results of operations, comprehensive income (loss), equity and cash flows of Ecolab Inc. ("Ecolab" or "the Company") for the interim periods presented. Any adjustments consist of normal recurring items.

The financial results for any interim period are not necessarily indicative of results for the full year. The consolidated balance sheet data as of December 31, 2018 was derived from the audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. The unaudited consolidated financial information should be read in conjunction with the consolidated financial statements and notes thereto incorporated in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Sales, cost of sales and selling, general and administrative expenses in the selected consolidated income statement information includes immaterial revisions to amounts previously reported in the Company’s quarterly reports on Form 10-Q for each of the first three quarters of 2018. The revisions had no impact on previously reported total net sales or operating income. Except for the changes due to the adoption of the new accounting standards, the Company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Upstream Energy Spin-off

Ecolab intends to pursue, subject to the receipt of approval by Ecolab’s Board of Directors and any regulatory approvals, a plan to separate and spin-off the Upstream businesses of Ecolab’s Global Energy segment (the Upstream Business) through a series of tax-efficient transactions (collectively, the Spin-off). Under the plan, if effectuated, Ecolab’s shareholders would own 100% of the common stock of a new corporation that owns the Upstream Business. The Spin-off is expected to be completed in 2020 and is intended to qualify as a tax-free distribution to Ecolab shareholders for U.S. federal income tax purposes.

With respect to the unaudited financial information of the Company for the first quarter ended March 31, 2019 and 2018 included in this Form 10-Q, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. Their separate report dated May 2, 2019 appearing herein states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933, as amended (the "Act"), for their report on the unaudited financial information because that report is not a "report" or a "part" of a registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

2. SPECIAL (GAINS) AND CHARGES

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

	First Quarter Ended March 31	
(millions)	2019	2018
Cost of sales		
Restructuring activities	3.4	-
Acquisition and integration activities	0.2	-
Subtotal	3.6	-
Special (gains) and charges		
Restructuring activities	37.1	0.3
Upstream energy spin-off	4.3	-
Acquisition and integration activities	2.5	0.5
Other	(3.6)	25.2
Subtotal	40.3	26.0
Operating income subtotal	43.9	26.0
Interest expense, net	0.2	-
Total special (gains) and charges	$44.1	$26.0

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

Restructuring activities

Restructuring activities are primarily related to Accelerate 2020 (described below). These activities have been included as a component of both cost of sales and special (gains) and charges on the Consolidated Statement of Income. Restructuring liabilities have been classified as a component of both other current and other noncurrent liabilities on the Consolidated Balance Sheet.

Accelerate 2020

During the third quarter of 2018, the Company formally commenced a restructuring plan Accelerate 2020 ("the Plan"), to leverage technology and systems investments and organizational changes. During the first quarter of 2019, the

Company raised its goals for the Plan to simplify and automate processes and tasks, reduce complexity and management layers, consolidate facilities and focus on key long-term growth areas by leveraging technology and structural improvements. The Company now expects that the restructuring activities will be completed by the end of 2020, with total anticipated costs of $260 million ($190 million after tax) over this period of time. The costs are expected to be primarily cash expenditures for severance costs and some facility closure costs relating to team reorganizations. Actual costs may vary from these estimates depending on actions taken.

The Company recorded restructuring charges of $40.5 million ($30.4 million after tax) in the first quarter of 2019. The liability related to this Plan was $81.4 million as of the end of the first quarter. The Company has recorded $145.1 million ($110.0 million after tax) of cumulative restructuring charges under the Plan.

Restructuring activity related to the Plan since inception of the underlying actions includes the following:

(millions)	Employee Termination Costs	Asset Disposals	Other	Total
2018 Activity				
Recorded expense	$ 94.1	$ 5.0	$ 5.5	$ 104.6
Net cash payments	(32.8)	-	(2.4)	(35.2)
Non-cash charges	-	(5.0)	-	(5.0)
Effect of foreign currency translation	(0.5)	-	-	(0.5)
Restructuring liability, December 31, 2018	60.8	-	3.1	63.9
2019 Activity				
Recorded expense	29.4	0.3	10.8	40.5
Net cash payments	(20.0)	-	(2.8)	(22.8)
Non-cash charges	-	(0.3)	-	(0.3)
Effect of foreign currency translation	0.1	-	-	0.1
Restructuring liability, March 31, 2019	$ 70.3	$ -	$ 11.1	$ 81.4

Other Restructuring Activities

Prior to Accelerate 2020, the Company engaged in a number of restructuring plans. During the first quarter of 2019, net restructuring charges related to the prior year plans were minimal. During the first quarter of 2018, net restructuring charges related to the prior year plans were $0.3 million ($0.3 million after tax). The restructuring liability balance for all plans commencing prior to Accelerate 2020 was $13.1 million and $14.9 million as of March 31, 2019 and December 31, 2018, respectively. The reduction in liability was driven primarily by severance payments. The majority of pretax charges represent net cash expenditures which are expected to be paid over a period of a few months to several quarters and will continue to be funded from operating activities. Cash payments during 2019 related to restructuring plans commencing prior to 2018 were $1.4 million.

Upstream energy spin-off

During the first quarter of 2019, the Company announced its intention to pursue a plan to separate and spin-off the Upstream businesses of Ecolab's Global Energy segment (the Upstream Business). The charges reported in special (gains) and charges on the Consolidated Statement of Income include $4.3 million ($3.3 million after tax) in the first quarter of 2019, which are primarily related to professional fees.

Acquisition and integration related costs

Acquisition and integration costs reported in special (gains) and charges on the Consolidated Statement of Income include $2.5 million ($1.8 million after tax) and $0.5 million ($0.3 million after tax) in the first quarter of 2019 and 2018, respectively. Charges are related to Laboratoires Anios ("Anios") and Bioquell, PLC ("Bioquell") acquisitions and consist of integration costs, advisory and legal fees. Acquisition and integration costs reported in product and equipment cost of sales on the Consolidated Statement of Income in the first quarter of 2019 relate to the recognition of fair value step-up in the Bioquell inventory. The Company also incurred $0.2 million ($0.1 million after tax) of interest expense in the first quarter of 2019.

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

Other

During the first quarter of 2019, the Company recorded other special gains of $3.6 million ($4.3 million after of tax) which primarily related to a litigation settlement which was offset with other legal charges. During the first quarter of 2018, the Company recorded other special charges of $25.2 million ($18.9 million after of tax) in special (gains) and charges which primarily consisted of $25.0 million ($18.9 million after tax) commitment to the Ecolab Foundation in response to the new U.S. tax law.

3. ACQUISITIONS AND DISPOSITIONS

Acquisitions

The Company makes business acquisitions that align with its strategic business objectives. The assets and liabilities of the acquired businesses have been recorded as of the acquisition date, at their respective fair values, and are included in the Consolidated Balance Sheet. The purchase price allocation is based on estimates of the fair value of assets acquired and liabilities assumed. The aggregate purchase price of acquisitions has been reduced for any cash or cash equivalents acquired with the acquisition. Acquisitions during the first quarter of 2019 and 2018 were not significant to the Company’s consolidated financial statements; therefore, pro forma financial information is not presented.

2019 Activity

During the first quarter of 2019, the Company acquired Bioquell, a life sciences business which is a seller of bio-decontamination products and services to the Life Sciences and Healthcare industries. This business became part of the Global Industrial reporting segment. During 2018, the Company deposited $179.3 million (£140.5 million) in an escrow account that was released back to the Company upon closing of the transaction in February 2019. As shown within Note 4, this was recorded as restricted cash within other assets on the Consolidated Balance Sheet as of December 31, 2018.

The Company also acquired Lobster Ink a leading provider of end-to-end online customer training solutions. This acquired business became part of the Global Institutional reporting segment. The purchase price included an earn-out based on certain revenue thresholds in any of the full three years following the acquisition, which has been recorded as contingent consideration in other liabilities in the Consolidated Balance Sheet as of March 31, 2019.

These acquisitions have been accounted for using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed to be recognized at fair value as of the acquisition date. Certain estimated values, primarily working capital adjustments, are not yet finalized and are subject to change. Annualized sales for the businesses acquired in 2019 are $61 million.

2018 Activity

During the first quarter of 2018, the Company acquired a water business which provides a range of services to Nalco Water institutional customers. This acquired business became part of the Company’s Global Industrial reportable segment. In addition, the Company acquired an institutional business which provides a range of cleaning and disinfection products for the hospitality, leisure, residential care, housekeeping and janitorial sectors. These acquisitions have been accounted for using the acquisition method of accounting. There were insignificant purchase price adjustments related to prior year acquisitions.

The components of the cash paid for acquisitions for transactions during the first quarter of 2019 and 2018 are shown in the following table.

	First Quarter Ended March 31	
(millions)	2019	2018
Net tangible assets (liabilities) acquired and equity method investments	$(14.6)	$(2.7)
Identifiable intangible assets		
Customer relationships	70.4	42.2
Trademarks	20.4	1.1
Other technology	45.8	4.0
Total intangible assets	136.6	47.3
Goodwill	180.3	32.5
Total aggregate purchase price	302.3	77.1
Acquisition related liabilities and contingent consideration	(20.5)	(0.6)
Net cash paid for acquisitions, including acquisition related liabilities and contingent consideration	$281.8	$76.5

The 2019 and 2018 acquisition related liabilities are related to holdback liabilities and contingent consideration.

The weighted average useful life of these identifiable intangible assets acquired was 12 and 11 years as of March 31, 2019 and 2018, respectively.

Dispositions

There were no significant business dispositions during the first quarter of 2019 and 2018.

4. BALANCE SHEET INFORMATION

(millions)	March 31 2019	December 31 2018
Accounts receivable, net		
Accounts receivable	$2,750.0	$2,723.1
Allowance for doubtful accounts	(58.4)	(60.6)
Total	$2,691.6	$2,662.5
Inventories		
Finished goods	$1,080.0	$1,016.9
Raw materials and parts	570.7	525.6
Inventories at FIFO cost	1,650.7	1,542.5
FIFO cost to LIFO cost difference	(5.1)	3.9
Total	$1,645.6	$1,546.4
Other current assets		
Prepaid assets	$136.5	$132.1
Taxes receivable	140.0	144.2
Derivative assets	28.5	42.8
Other	29.8	35.0
Total	$334.8	$354.1
Property, plant and equipment, net		
Land	$216.1	$214.5
Buildings and leasehold improvements	1,308.6	1,279.4
Machinery and equipment	2,402.2	2,313.7
Merchandising and customer equipment	2,648.0	2,565.5
Capitalized software	674.8	666.2
Construction in progress	417.8	400.2
	7,667.5	7,439.5
Accumulated depreciation	(3,788.9)	(3,603.5)
Total	$3,878.6	$3,836.0
Other intangible assets, net		
Intangible assets not subject to amortization		
Trade names	$1,230.0	$1,230.0
Intangible assets subject to amortization		
Customer relationships	3,745.9	3,649.3
Trademarks	406.1	384.9
Patents	475.4	470.2
Other technology	289.5	242.8
	4,916.9	4,747.2
Accumulated amortization		
Customer relationships	(1,674.4)	(1,604.0)
Trademarks	(182.7)	(175.2)
Patents	(214.4)	(207.3)
Other technology	(198.1)	(193.0)

	(2,269.6)	(2,179.5)
Net intangible assets subject to amortization	2,647.3	2,567.7
Total	$3,877.3	$3,797.7

Other assets		
Deferred income taxes	$108.0	$105.1
Pension	43.0	39.0
Derivative asset	13.2	11.8
Restricted cash	-	179.3
Other	361.4	349.9
Total	$525.6	$685.1

(millions)	March 31 2019	December 31 2018
Other current liabilities		
Discounts and rebates	$303.5	$291.3
Dividends payable	132.7	132.4
Interest payable	71.1	44.5
Taxes payable, other than income	107.2	116.9
Derivative liabilities	15.5	20.1
Restructuring	89.6	73.7
Contract liability	85.4	75.8
Operating lease liabilities	159.1	-
Other	254.1	251.4
Total	$1,218.2	$1,006.1
Accumulated other comprehensive loss		
Unrealized gain (loss) on derivative financial instruments, net of tax	$(6.3)	$2.0
Unrecognized pension and postretirement benefit expense, net of tax	(581.4)	(518.9)
Cumulative translation, net of tax	(1,147.2)	(1,244.8)
Total	$(1,734.9)	$(1,761.7)

5. DEBT AND INTEREST

Short-term Debt

The following table provides the components of the Company’s short-term debt obligations as of March 31, 2019 and December 31, 2018.

(millions)	March 31 2019	December 31 2018
Short-term debt		
Commercial paper	$787.5	$165.4
Notes payable	43.9	176.8
Long-term debt, current maturities	300.9	401.4
Total	$1,132.3	$743.6

Line of Credit

As of March 31, 2019, the Company had in place a $2.0 billion multi-year credit facility which expires in November 2022. The credit facility has been established with a diverse syndicate of banks and supports the Company's U.S. and Euro commercial paper programs. There were no borrowings under the Company's credit facility as of either March 31, 2019 or December 31, 2018.

Commercial Paper

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

As of March 31, 2019, the Company had $398.0 million (€350.0 million) of commercial paper outstanding under its Euro program and $389.5 million outstanding under its U.S. program. As of December 31, 2018, the Company had $141.4 million (€125.0 million) of commercial paper outstanding under its Euro program and $24.0 million outstanding under its U.S. program.

Notes Payable

The Company's notes payable consists of uncommitted credit lines with major international banks and financial institutions, primarily to support global cash pooling structures. As of March 31, 2019 and December 31, 2018, the Company had $43.9 million and $176.8 million, respectively, outstanding under these credit lines.

Long-term Debt

The following table provides the components of the Company's long-term debt obligations, including current maturities, as of March 31, 2019 and December 31, 2018.

(millions)	Maturity by Year	March 31 2019	December 31 2018
Long-term debt			
Public notes (2019 principal amount)			
Three year 2016 senior notes ($400 million)	2019	-	399.7
Five year 2015 senior notes ($300 million)	2020	299.6	299.5
Ten year 2011 senior notes ($1.02 billion)	2021	1,017.7	1,017.6
Five year 2017 senior notes ($500 million)	2022	497.1	496.9
Seven year 2016 senior notes ($400 million)	2023	398.1	398.0
Seven year 2016 senior notes (€575 million)	2024	648.3	644.1
Ten year 2015 senior notes (€575 million)	2025	650.3	646.3
Ten year 2016 senior notes ($750 million)	2026	743.9	743.8
Ten year 2017 senior notes ($500 million)	2027	495.0	494.8
Thirty year 2011 senior notes ($458 million)	2041	451.7	451.6
Thirty year 2016 senior notes ($250 million)	2046	246.1	246.1
Thirty year 2017 senior notes ($700 million)	2047	609.4	609.0
Private notes (2019 principal amount)			
Series B private placement senior notes ($250 million)	2023	249.5	249.4
Finance lease obligations and other		2.4	6.2
Total debt		6,309.1	6,703.0
Long-term debt, current maturities		(300.9)	(401.4)
Total long-term debt		$6,008.2	$6,301.6

Public Notes

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

Private Notes

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

Covenants

The Company is in compliance with its debt covenants as of March 31, 2019.

Net Interest Expense

Interest expense and interest income recognized during the first quarter of 2019 and 2018 were as follows:

	First Quarter Ended March 31	
(millions)	2019	2018
Interest expense	$56.1	$61.0
Interest income	(6.7)	(4.6)
Interest expense, net	$49.4	$56.4

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

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

The Company tests goodwill for impairment on an annual basis during the second quarter. If circumstances change significantly, the Company would also test a reporting unit's goodwill for impairment during interim periods between its annual tests. Based on the current and expected performance of the Company's reporting units, updating the impairment testing during the first quarter of 2019 was not deemed necessary. There has been no impairment of goodwill in any of the years presented.

The changes in the carrying amount of goodwill for each of the Company's reportable segments during the quarter ended March 31, 2019 were as follows:

(millions)	Global Industrial	Global Institutional	Global Energy	Other	Total
December 31, 2018	$2,730.8	$1,015.3	$3,126.6	$205.3	$7,078.0
Current year business combinations (a)	90.1	90.3	-	-	180.4
Prior year business combinations (b)	(0.1)	-	-	-	(0.1)
Effect of foreign currency translation	25.4	10.1	28.5	1.9	65.9
March 31, 2019	$2,846.2	$1,115.7	$3,155.1	$207.2	$7,324.2

(a) Represents goodwill associated with current year acquisitions. The Company does not expect any of the goodwill related to businesses acquired to be tax deductible.
(b) Represents the purchase price allocation adjustments for acquisitions deemed preliminary as of the end of the prior year.

Other Intangible Assets

The Nalco trade name is the Company's principal indefinite life intangible asset, which is tested for impairment on an annual basis during the second quarter. Based on the ongoing performance of the Company's reporting units associated with the trade name, updating the impairment testing during the first quarter of 2019 was not deemed necessary. There has been no impairment of the Nalco trade name intangible since it was acquired.

The Company’s intangible assets subject to amortization primarily include customer relationships, trademarks, patents and other technology. The fair value of identifiable intangible assets is estimated based upon discounted future cash flow projections and other acceptable valuation methods. Other intangible assets are amortized on a straight-line basis over their estimated economic lives. Total amortization expense related to other intangible assets during the first quarter of 2019 and 2018 was $79.8 million and $80.2 million, respectively. Estimated amortization for the remaining nine month period of 2019 related to other amortizable intangible assets is expected to be approximately $243 million.

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

	March 31, 2019			
(millions)	Carrying	Fair Value Measurements		
		Level		Level
	Amount	1	Level 2	3
Assets				
Foreign currency forward contracts	$51.7	$-	$51.7	$-
Liabilities				
Foreign currency forward contracts	29.2	-	29.2	-

	December 31, 2018	
(millions)	Carrying	Fair Value Measurements

	Amount	Level 1	Level 2	Level 3
Assets				
Foreign currency forward contracts	$72.3	$-	$72.3	$-
Liabilities				
Foreign currency forward contracts	41.1	-	41.1	-
Interest rate swap agreements	0.2	-	0.2	-

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

Contingent consideration obligations are recognized and measured at fair value at the acquisition date and thereafter until settlement. Contingent consideration is classified within level 3 as the underlying fair value is measured based on the probability-weighted present value of the consideration expected to be transferred. The consideration expected to be transferred is based on the Company’s expectations of various financial measures. The ultimate payment of contingent consideration could deviate from current estimates based on the actual results of these financial measures. Contingent consideration activities during the first quarter of 2019 and 2018 were not material to the Company’s consolidated financial statements.

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

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

	March 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current maturities	$6,309.1	$6,642.2	$6,703.0	$6,844.7

8. DERIVATIVES AND HEDGING TRANSACTIONS

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

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

Derivative Positions Summary

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

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

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

(millions)

	Derivatives Assets		Derivatives Liabilities	
	March 31	December 31	March 31	December 31
(millions)	2019	2018	2019	2018
Derivatives designated as hedging instruments				
Foreign currency forward contracts	$34.3	$40.4	$12.0	$10.2

Interest rate swap agreements	-	-	-	0.2
Derivatives not designated as hedging instruments				
Foreign currency forward contracts	17.4	31.9	17.2	30.9
Gross value of derivatives	51.7	72.3	29.2	41.3
Gross amounts offset in the Consolidated Balance Sheet	(10.0)	(17.7)	(10.0)	(17.7)
Net value of derivatives	$41.7	$54.6	$19.2	$23.6

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

	Notional Values	
	March 31	December 31
(millions)	2019	2018
Foreign currency forward contracts	$ 5,552	$ 6,226
Interest rate agreements	-	400

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Cash Flow Hedges

The Company utilizes foreign currency forward contracts to hedge the effect of foreign currency exchange rate fluctuations on forecasted foreign currency transactions, including inventory purchases and intercompany royalty, management fee and other payments. These forward contracts are designated as cash flow hedges. The changes in fair value of these contracts are recorded in accumulated other comprehensive income ("AOCI") until the hedged items affect earnings, at which time the gain or loss is reclassified into the same line item in the Consolidated Statement of Income as the underlying exposure being hedged. Cash flow hedged transactions impacting AOCI are forecasted to occur within the next three years. For forward contracts designated as hedges of foreign currency exchange rate risk associated with forecasted foreign currency transactions, the Company excludes the changes in fair value attributable to time value from the assessment of hedge effectiveness. The initial value of the excluded component (i.e., the forward points) is amortized on a straight-line basis over the life of the hedging instrument and recognized in the same line item in the Consolidated Statement of Income as the underlying exposure being hedged for intercompany loans. For all other cash flow hedge types, the forward points are mark-to-market monthly and recognized in the same line item in the Consolidated Statement of Income as the underlying exposure being hedged. The difference between fair value changes of the excluded component and the amount amortized in the Consolidated Statement of Income is recorded in AOCI.

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

Fair Value Hedges

The Company manages interest expense using a mix of fixed and floating rate debt. To help manage exposure to interest rate movements and to reduce borrowing costs, the Company may enter into interest rate swaps under which the Company agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed upon notional principal amount. The mark-to-market of these fair value hedges is recorded as gains or losses in interest expense and is offset by the gain or loss of the underlying debt instrument, which also is recorded in interest expense. These fair value hedges are highly effective.

In January 2016, the Company entered into an interest rate swap agreement that converted its $400 million 2.00% debt from a fixed interest rate to a floating interest rate. In January 2015, the Company entered into interest rate swap agreements that converted its $300 million 1.55% debt and its $250 million 3.69% debt from fixed interest rates to floating interest rates. The interest rate swap agreements tied to the Company's $300 million 1.55% debt, $250 million 3.69% and $400 million 2.00% debt expired in January 2018, November 2018 and January 2019, respectively, upon repayment of the underlying debt.

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

The following amounts were recorded on the Consolidated Balance Sheet related to cumulative basis adjustments for fair value hedges:

Line item in which the hedged item is included	Carrying amount of the hedged liabilities		Cumulative amount of the fair value hedging adjustment included in the carrying amount of the hedged liabilities	
	First Quarter Ended March 31		First Quarter Ended March 31	
(millions)	2019	2018	2019	2018
Long-term debt	$-	$643.8	$-	$5.8

Net Investment Hedges

The Company designates its outstanding $1,299 million (€1,150 million at the end of the first quarter of 2019) senior notes (“euronotes”) and related accrued interest as hedges of existing foreign currency exposures related to investments the Company has in certain euro denominated functional currency subsidiaries. $337 million (€300 million at the end of the first quarter of 2019) of Euro commercial paper were also designated as a hedge of existing foreign currency exposures. The revaluation gains and losses on the euronotes and Euro commercial paper, which are designated and effective as hedges of the Company’s net investments, have been included as a component of the cumulative translation adjustment account, and were as follows:

	First Quarter Ended March 31	
(millions)	2019	2018
Revaluation gains (losses), net of tax	$(6.6)	$(26.2)

Derivatives Not Designated as Hedging Instruments

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

Effect of all Derivative Instruments on Income

The gain (loss) of all derivative instruments recognized in product and equipment cost of sales ("COS"), selling, general and administrative expenses ("SG&A") and interest expense, net ("interest") is summarized below:

	First Quarter Ended March 31					
	2019			2018		
(millions)	COS	SG&A	Interest	COS	SG&A	Interest
Gain (loss) on derivatives in cash flow hedging relationship:						
Foreign currency forward contracts						
Amount of gain (loss) reclassified from AOCI to income	$4.4	$(7.1)	$-	$(1.9)	$(47.6)	$-
Amount excluded from the assessment of effectiveness recognized in earnings based on changes in fair value	-	-	7.0	-	-	8.3
Interest rate swap agreements						
Amount of gain (loss) reclassified from AOCI to income	-	-	(0.2)	-	-	(1.8)
Gain (loss) on derivatives in fair value hedging relationship:						
Interest rate swaps						
Hedged items	-	-	0.2	-	-	1.1
Derivatives designated as hedging instruments	-	-	(0.2)	-	-	(1.1)
Gain (loss) on derivatives not designated as hedging instruments:						
Foreign currency forward contracts						
Amount of gain (loss) recognized in income	-	6.1	-	-	(18.4)	1.6
Total gain (loss)	$4.4	$(1.0)	$6.8	$(1.9)	$(66.0)	$8.1

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9. OTHER COMPREHENSIVE INCOME (LOSS) INFORMATION

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

The following tables provide other comprehensive income information related to the Company's derivatives and hedging instruments and pension and postretirement benefits. See Note 8 for additional information related to the Company's derivatives and hedging transactions. See Note 14 for additional information related to the Company's pension and postretirement benefits activity.

	First Quarter Ended March 31	
(millions)	2019	2018
Derivative and Hedging Instruments		
Unrealized gains (losses) on derivative & hedging instruments		
Amount recognized in AOCI	$(2.9)	$(44.9)
(Gains) losses reclassified from AOCI into income		
COS	(4.4)	1.9
SG&A	7.1	47.6
Interest (income) expense, net	(6.8)	(6.5)
	(4.1)	43.0
Other activity	-	(0.3)
Tax impact	1.4	0.1
Net of tax	$(5.6)	$(2.1)
Pension and Postretirement Benefits		
Amount reclassified from AOCI into income		
Amortization of net actuarial loss and prior service costs and benefits	-	7.7
	-	7.7
Other activity	(4.0)	(5.5)
Tax impact	-	(1.9)
Net of tax	$(4.0)	$0.3

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

	First Quarter Ended March 31	
(millions)	2019	2018
Derivative (gains) losses reclassified from AOCI into income, net of tax	$(3.0)	$33.5
Pension and postretirement benefits net actuarial (gains) losses and prior services costs reclassified from AOCI into income, net of tax	$(4.0)	$0.3

10. SHAREHOLDERS' EQUITY

Share Repurchase Authorization

In February 2015, the Company's Board of Directors authorized the repurchase of up to 20 million shares of its common stock, including shares to be repurchased under Rule 10b5–1. As of March 31, 2019, 8,004,726 shares remained to be repurchased under the Company's repurchase authorization. The Company intends to repurchase all shares under its authorization, for which no expiration date has been established, in open market or privately negotiated transactions, subject to market conditions.

Share Repurchases

During the first quarter of 2019, the Company reacquired 766,648 shares of its common stock, of which 646,668 related to share repurchases through open market or private purchases, and 119,980 related to shares withheld for taxes on the exercise of stock options and the vesting of stock awards and units.

During all of 2018, the Company reacquired 3,908,041 shares of its common stock, of which 3,706,716 related to share repurchases through open market or private purchases, and 201,325 related to shares withheld for taxes on the exercise of stock options and the vesting of stock awards and units.

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

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

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

First
Quarter Ended
&n